







Matters of Special Importance Foreword and Main Points



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Report of the Auditor General of Canada to the House of Commons

Matters of Special Importance – 1998 Foreword and Main Points

December 1998



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This December 1998 Report comprises 11 chapters, including "Matters of Special Importance", as well as a Foreword and the Main Points from the April, September and December 1998 Report chapters. In order to better meet clients' needs, the Report is available in a variety of formats. If you wish to obtain another format or other material, the Table of Contents and the order form are found at the end of this chapter.





VÉRIFICATEUR GÉNÉRAL DU CANADA

To The Honourable the Speaker of the House of Commons:

I have the honour to transmit herewith my annual Report of 1998 to the House of Commons, to be laid before the House in accordance with the provisions of section 7(3) of the *Auditor General Act*.

L. Wernick world.

L. Denis Desautels, FCA Auditor General of Canada Digitized by the Internet Archive in 2022 with funding from University of Toronto

Foreword





Report of the Auditor General to the House of Commons for December 1998

Foreword

I am pleased to present the third volume of my 1998 Report. This Foreword is followed by "Matters of Special Importance – 1998" and the Main Points from all of this year's chapters. In addition, this volume contains 11 chapters, bound separately:

- 19. Electronic Commerce: Conducting Government Business via the Internet
- 20. Preparedness for Year 2000: Government-Wide Mission-Critical Systems
- 21. Canadian International Development Agency Geographic Programs
- 22. The Federal Science and Technology Strategy: A Review of Progress
- 23. Veterans Affairs Canada Disability Pensions
- 24. Revenue Canada International Tax Directorate: Human Resource Management
- 25. Transport Canada Investments in Highways
- 26. Contracting for Professional Services: Selected Sole-Source Contracts
- 27. Grants and Contributions: Selected Programs in Industry Canada and Department of Canadian Heritage
- 28. Follow-up of Recommendations in Previous Reports
- 29. Other Audit Observations

My Office issued the first volume of the 1998 Report in April, containing nine chapters, and the second volume with nine chapters in September.

In addition, this year my Office has provided:

- an opinion and observations on the Financial Statements of the Government of Canada
- an auditor's report and observations on the Debt Servicing and Reduction Account Statement of Transactions
- auditor's reports and observations on some 90 Crown corporations and other entities, territorial governments and organizations, and international organizations.

In 1997–98 my Office completed special examinations of the Farm Credit Corporation, National Capital Commission, Great Lakes Pilotage Authority, Cape Breton Development Corporation and Atlantic Pilotage Authority. Further, in the subsequent period April to October 1998, my Office also completed special examinations of Atomic Energy of Canada Limited, Defence Construction (1951) Limited. National Arts Centre Corporation and Via Rail Canada Inc.

Under section 11 of the Auditor General Act, I may from time to time undertake assignments at the request of the Governor in Council. In June I reported to the Minister of National Revenue and the Minister of Finance on one such examination of the requirement to report specified foreign property under section 233.3 of the Income Tax Act.



Matters of Special Importance – 1998



Table of Contents

	Page
Main Points	4
Public Management in a Post-Deficit Environment	7
A Long-Term Fiscal Framework	8
Effective Governance Structures	. 10
Innovation and Sensible Risk Taking in the Public Sector	12
Modernized Financial Management and Reporting Modernization of financial management is long overdue Government plans would create inconsistencies between parliamentary appropriations	14 14
and government expenditures The government's commitment to objective accounting standards needs to be reaffirmed	15 15
Better Integration of People Management with Ongoing Public Sector Reforms	16
Open and Meaningful Accountability to Parliament Alternative service delivery arrangements present a special challenge	18 18
Conclusion	20
Chapter Supplement: Other Recent and Ongoing Audit Issues	22
Audit Assessments of Performance Information Ensuring Organizational Integrity in Revenue Canada Examination of the Requirement to Report Specified Foreign Property Progress on the Federal Science and Technology Strategy Millennium Bug Still at Large A Strategic Approach to Sustainable Development	22 22 23 23 24 24
Opportunities for Cost Savings	25



Matters of Special Importance – 1998

Main Points

Each year in this chapter I highlight significant issues arising from our work of the year, and matters from previous years that continue to be of special importance. This year, with the era of large, chronic deficits seemingly behind us, I discuss the challenge of remaining focussed on improving economy and efficiency in government.

I suggest a number of means to help ensure that the turnaround in our immediate fiscal situation does not lull us into complacency or deflect attention from the need to improve performance:

- A long-term fiscal framework. For some time now, I have called on the federal government to make public long-term fiscal projections showing the effects on government finances of factors such as population aging. Governments in other countries are doing this.
- Effective governance structures. The federal government, like governments elsewhere, is trying to move from a traditional bureaucratic model to a more flexible form of management. This requires good governance, with attention to serving the public interest, achieving objectives, ensuring accountability and maintaining transparency.
- Innovation and sensible risk taking in the public sector. There are constraints to innovation and sensible risk-taking in the public sector. We need to identify these constraints more clearly, along with the actions that can be taken to encourage public servants to discharge their responsibilities with creativity, innovation and integrity.
- Modernized financial management and reporting. Modernization of financial
 management is long overdue. As well, the government's commitment to objective accounting
 standards needs to be reaffirmed for two years now, I have felt obliged to qualify my audit
 opinion on the government's financial statements because they fail to meet accepted
 accounting standards.
- Better integration of people management with ongoing public sector reforms. There is much dissatisfaction among government officials with the current state of human resource management in the public service. It is troubling that these long-standing problems still exist.
- Open and meaningful accountability to Parliament. Significant steps are being taken to provide parliamentarians with the kind of timely, relevant information they need to hold government accountable. The move to alternative service delivery arrangements requires attention to prevent a weakening of accountability and cohesion in the public sector.

Main Points (cont'd)

In this post-deficit environment, these elements of good public sector management can help to ensure that the pursuit of better value for the taxpayer's money continues.

Other recent and ongoing matters are discussed in a supplement to the chapter:

- Our first assessment of performance information by a new service delivery agency was completed this year.
- Our examination of Revenue Canada's efforts to promote integrity among its employees continues our ongoing work on ethical conduct in the public sector.
- We examined the government's requirement that specified foreign property be reported for tax purposes.
- Progress in implementing the government's science and technology strategy has been slow in some important areas.
- Delays in fixing Year 2000 computer problems mean that many government-wide critical functions remain at risk.
- Moving beyond the rhetoric of sustainable development to apply its principles in the day-to-day operations of government remains a key challenge.
- Over the past year, our audits have identified opportunities for cost savings.

Vision

We are committed to making a difference for the Canadian people by promoting, in all our work for Parliament, answerable, honest and productive government that reflects a commitment to sustainable development.

Mission

The Office of the Auditor General of Canada conducts independent audits and examinations that provide objective information, advice and assurance to Parliament. We promote accountability and best practices in government operations.

Elaboration of Mission

In achieving our mission, we want to make a difference by promoting:

- a fair and frank accounting of government's stewardship of financial and other resources;
- efficiency and productivity in the public service;
- cost effectiveness of government activities;
- collection of revenues owed to the Crown.

Other effects we want to produce through our work are:

- objective assurance on matters found to be satisfactory and unsatisfactory;
- compliance with authority;
- deterrence of fraud and dishonesty.

Public Management in a Post-Deficit Environment



he prospect of being hanged,
Samuel Johnson observed,
concentrates the mind wonderfully.
In the early 1990s, Canada's public finances —
already weak from years of continuous deficits
and mounting debts — were brought to the
brink of crisis by an unusually long and deep
recession. In 1993–94, the annual budget
deficit reached a record \$42 billion and the net
debt as a share of GDP rose to over 70 percent,
compared with less than 20 percent two

decades earlier. The spectre of financial crisis encouraged the government to rethink radically what it does and how it does it.

Significant changes in federal public administration followed. A new Expenditure Management System was introduced, establishing multi-year funding targets and requiring that new spending initiatives be financed through reallocation within those targets. Programs were privatized; others were restructured and streamlined. The size of the public service work force was reduced in a meaningful way for the first time in decades, as was program spending. Emphasis was placed on management becoming more results-oriented and cost-conscious.

With large chronic deficits seemingly behind us, the challenge now is to maintain the momentum toward greater economy and efficiency.

With the era of large chronic deficits seemingly behind us, the challenge now is to maintain the momentum toward greater economy and efficiency in managing public funds. Eliminating the deficit is only a way station to restored fiscal health — not the end of the road. Our debt and tax burdens remain high, and current demographic trends suggest additional fiscal pressures

ahead. The global economic upheavals of recent months provide a vivid reminder of how quickly economic fortunes can change. It is thus important that we not allow the turnaround in our immediate fiscal situation to lull us into complacency or to deflect our efforts to improve performance.

In this chapter, I discuss some means that could support those efforts. They include:

- a long-term fiscal framework;
- effective governance structures;

- innovation and sensible risk-taking in the public sector;
- modernized financial management and reporting;
- better integration of people management with ongoing public sector reforms; and
- open and meaningful accountability to Parliament.

Together, these elements would constitute a public management culture that in my view would stand us in good stead generally, and particularly in the current post-deficit environment.

Other issues that are not directly related to the theme of managing in a post-deficit environment but that I consider important are reported in a supplement to this chapter.

A Long-Term Fiscal Framework

Jacob's son Joseph saved Egypt from famine — and made himself rich and famous in the process — by counselling Pharaoh to look beyond the immediate years of plenty, and to budget accordingly. In making budget decisions, a forward view is nothing more than simple prudence. It is especially wise when we have reason to expect, as Joseph did, that our circumstances in the long term may be materially different from our present.

We lack Joseph's ability to foretell the future through the interpretation of dreams, but it is easily within our power to extrapolate the long-term fiscal implications of existing demographic trends. Demographic developments take decades to unfold, and follow a predictable pattern as they do: today's youth will be tomorrow's workers in a decade or two and Canada's retirees three to four decades after that. In a real sense therefore, as management expert Peter Drucker has put it, demographics represent "a future that has already happened."

What does that future look like? We know that owing to lower fertility and mortality rates, Canada's population is aging. The proportion of elderly in the total population will grow sharply during the second and third decades of the next century, as baby boomers age and leave the labour force for retirement. By 2030, Canada's elderly will represent 22 percent of the total population, compared with 12 percent today. Whereas today there are five Canadians of working age for every person 65 years or older, in three decades there will be only half that number.

Given current policies, this demographic shift will impose huge fiscal pressures on government, as demands on our pension and health care

programs increase while the proportion of the working age population supporting these programs shrinks. A fiscal outlook limited to a two-year horizon is clearly far too short to take these pressures into account. That focus was effective in a period of crisis, but now it is time to look beyond the short run.

Among developed countries at least, there is a growing recognition of the advantages of long-term fiscal planning. Recent reports of the Organization for Economic Co-operation and Development (OECD) have stressed the

Budgeting in New Zealand

Budget making and reporting in New Zealand are governed by the *Fiscal Responsibility Act 1994*. The Act requires that fiscal policy be made in accordance with the following principles of responsible fiscal management:

- Reducing government debt to prudent levels
- Matching operating expenses with revenues over time
- Pursuing policies consistent with stable and predictable tax rates over time

These principles find concrete expression in two publications: a budget policy statement, to be tabled at least three months before budget time, and a fiscal strategy report to be tabled with the budget.

The policy statement sets out the government's fiscal intentions for the ensuing three years and its long-term fiscal objectives.

The strategy report compares the budget objectives with those in the policy statement and provides "progress outlooks" that project the government's fiscal position for 10 years or more, under a range of economic and policy assumptions.

The Fiscal Responsibility Act has been the model for similar legislation in Australia and the UK.

value of long-term budget frameworks in forcing people to think about the future. New Zealand, Australia and the United Kingdom, countries with parliamentary systems of government similar to our own, have adopted legislation that obliges their governments to provide long-term fiscal outlooks as part of their budget processes. In the U.S., both the Congressional Budget Office, on behalf of Congress, and the Office of Management and Budget, on behalf of the Administration, prepare and make public comprehensive projections of revenues, expenditures and budget balances under various fiscal and economic assumptions for several decades ahead.

I have at various times called for similar projections for Canada. The government's reluctance to accede to these calls stems largely from an expressed concern that it will be held accountable for the projected long-term outlooks, in the same way it is now accountable for its short-term fiscal targets. One way around that fear is to make it clear, either through a policy statement accompanying the projections or through legislative enactment if necessary, that the projections are provided for information purposes only and do not represent government commitments — which would be meaningless, anyway, given the normal

length of a typical government's mandate. In addition, long-term projections need not contain the same precision and type of information now contained in the government's two-year forecasts.

Presentation of these long-term projections as part of the fiscal update in the fall, rather than with the annual Budget in February, would also help distance them from the government's short-term fiscal plan and targets. At the same time, it would provide useful context for the pre-Budget consultations that are the reason for producing the fall fiscal update.

I was pleased recently to see the Standing Committee on Public Accounts endorse the need for a long-term outlook in budget making. In its 16th report tabled last October, based on hearings on Chapter 6 of my 1998 Report, the Committee calls on the Department of Finance to devise appropriate means for the government to publish long-term demographic and fiscal information that would ensure transparency and greater understanding of Canada's fiscal prospects. I hope the Department will respond favourably to the Committee's call.

Long-term fiscal projections are necessarily speculative, but necessary nevertheless: one cannot ignore the future just because it is not perfectly predictable. Current fiscal decisions have long-term consequences, whether we recognize them or not. Demographic trends are as reliable as any, and their fiscal implications can easily be taken into account. Doing so and making the results of the exercise public would help to make the government's short-term targets more intelligible — and hence more acceptable to the public and more credible to financial markets.

For related information, see Auditor General publications: Population Aging and Information for Parliament: Understanding the Choices (1998 Report, Chapter 6); Information for Parliament — Deficits and Debt: Understanding the Choices (1995 Report, Chapter 9); Toward Better Governance — Public Service Reform in New Zealand 1984–94 and its Relevance to Canada (1995); Information for Parliament — Understanding Deficits and Debt (1993 Report, Chapter 5). Other publications: Maintaining Prosperity in an Ageing Society (OECD, 1998); Long-Term Budgetary Pressures and Policy Options (Congressional Budget Office, Washington, DC, May 1998).

Effective Governance Structures

Ideas about what works in the public sector, and what effective public management is, have undergone a sea change over the past decade or so. Traditional public management is characterized by hierarchical organizational structures, centralized decision-making, and regulation of operating departments through controls imposed by central agencies. It is based on detailed rules, rather than managerial judgment; on process, not results.

These bureaucratic features of traditional public management were designed to ensure equity across government activities and probity in the stewardship of public resources. But they can also make the public sector unwieldy, inflexible and inefficient. In a world of rapid change, mounting competition and a more demanding public, this traditional bureaucratic model of public management is becoming less and less acceptable.

In country after country within the industrialized world, this old-style approach to public sector management is giving way to a more decentralized, flexible management, geared to results and performance. Policy direction and overall budget allocations still emanate from the centre, but operating

In country after country in the industrialized world, the old-style approach to public sector management is giving way to a more decentralized, flexible management.

departments have greater autonomy in the way they use resources to meet client needs. Accountability is achieved through the establishment of appropriate performance objectives and reporting requirements.

Through a number of initiatives under the general rubric of "getting government right", the federal government has embarked on a road toward results-based management in the public sector. Critical to the success of this approach

are control frameworks and governance procedures that foster commitment to organizational objectives and "make" managers manage. Four key principles related to a framework for effective governance are suggested for organizations in the public sector:

- Serving the public interest. Public organizations must balance
 management precepts, such as cost effectiveness, with public objectives
 as stated in legislation and reported to Parliament. An organizational
 climate that both supports public service values and encourages
 managing for results can contribute to performance by guiding behavior
 and motivating effort.
- Achieving objectives. The organization needs well-defined outcome
 objectives, clear performance expectations and reliable indicators to
 measure progress. It requires the capabilities appropriate to its mission
 and objectives, including the necessary authorities, people and financial
 resources.
- Ensuring accountability. Clear objectives are key to holding
 management accountable for the public resources allocated to them.
 Roles and responsibilities need to be well understood and agreed upon.
 Performance expectations should be linked to and balanced with
 capabilities. Reports of what an organization has accomplished should be
 timely and reliable, to facilitate learning and promote better performance.
- Appropriate transparency. Public reporting and public availability of key documents are necessary if organizations are to demonstrate their stewardship of public funds and fulfilment of the responsibilities assigned to them.

No management process can guarantee success, of course. The best it can do is to keep an organization focussed on the goals it wants to achieve and deal

Contracting Activities — a Poor Example for Managerial Discretion

Contracting with outsiders for the purchase of goods and services is one area where government managers enjoy considerable discretion.

Unfortunately, as currently practised, managerial discretion in contracting is often a poor example for emulation in other areas.

In this year's audit of sole-sourced contracts for professional services, we found:

- Widespread non-compliance with contracting regulations
- Poor documentation
- Insufficient regard to economy

To succeed, devolution of authority must be coupled with clear performance expectations and reporting requirements. Otherwise, we risk eroding both accountability and performance.

See Contracting for Professional Services: Selected Sole-Source Contracts (1998 Report, Chapter 26).

with things under management's control that get in the way of success. An effective governance framework is designed to help management do that.

"Easier said than done," I can hear some readers say. I agree. In particular, I do not underestimate how difficult it is in many parts of government to establish clear objectives and performance measures, and to report information in an open and frank manner. Nevertheless, as practices in other countries show, we can do more in this area than we are now doing. The potential benefits are worth the effort, especially at this time: structures that promote a performance ethic, reinforced by disclosure practices that facilitate oversight, can minimize the risk of backsliding as short-term fiscal pressures to economize recede.

In the remaining sections of this chapter, I examine different aspects of this challenge.

For related information, see Auditor General publications: Reporting Performance in the Expenditure Management System (1997 Report, Chapter 5); Moving toward Managing for Results (1997 Report, Chapter 11); Crown Corporations: Making Performance Measurement Work (1997 Report, Chapter 22); Crown Corporations: Fulfilling Responsibilities for Governance (1995 Report, Chapter 10).

Innovation and Sensible Risk Taking in the Public Sector

Other sections of this chapter discuss the profound changes — in governance structures, in resources, in service delivery methods — that have characterized the federal public service in recent years. While many of these changes stemmed from the government's fight against chronic deficits, other factors such as globalization, demographic and societal trends, and the technology revolution have made rapid change a fact of life. The competitive and results-oriented environment that now prevails places a premium on the ability and willingness of public servants to take sensible risks and to be innovative — not only to keep up with change, but to lead and influence its direction, and to seize the opportunities that change presents.

There are forces, however, that many observers believe militate against risk taking and innovation. These include the effects on public servants' morale of such interrelated factors as downsizing, the long wage freeze that ended

only last year, and a perceived lack of support. At the same time, more openness and a greater level of public accountability for results can sometimes unleash undeserved criticism when results fall short of expectations. In these circumstances, many public servants may feel the most prudent course is to play it safe.

I recognize that the work of this Office is seen by some as contributing to the forces that inhibit innovation. And given the very nature of our mandate, which requires the public reporting of instances where things have gone wrong, there will always be a possibility for our work to have a stifling effect on the willingness of some public servants to innovate and to take risks. Nevertheless, I am convinced that this Office is a relatively small player in the complex operational environment of the public service. We — the public,

We will continue to work with departments and agencies to identify more clearly the constraints on innovation and sensible risk taking.

parliamentarians, public servants and this Office — have to work together to help remove the constraints and find ways to encourage the innovation and responsible risk taking that are required now more than ever.

It was in the light of these considerations that in October this year I sponsored a roundtable discussion

on innovation and risk taking among senior managers from the federal and provincial governments, political representatives, and representatives from relevant private sector and labour organizations.* The discussions were based on, and informed by, background papers prepared by the Public Policy Forum (*The Risk Not Taken*), Industry Canada (*An Industry Canada Perspective*) and this Office (*The Role and Perspective of the Office of the Auditor General of Canada*). I believe the attendance at the roundtable, the lively discussion, and the range of views expressed reflect the importance of the topic as well as the interest and concern of the participants. I am particularly encouraged by the fact that participants were able to go beyond identifying problems toward suggesting some concrete steps that may help deal with these problems.

I see the roundtable as the beginning, rather than the end, of an ongoing process. We will continue to work with departments and agencies to identify more clearly the constraints on innovation and sensible risk taking and the actions that can be taken to encourage public servants to discharge their responsibilities with creativity, innovation and integrity.

^{*} A summary of the proceedings of that roundtable is available by contacting this Office.

Modernized Financial Management and Reporting

Encouraging better financial management in the federal government has been one of my priorities as Auditor General since my appointment in 1991. An integral component of good financial management is good financial information. Indeed, accurate and timely financial information is essential to all aspects of public management, from resource allocation and planning to monitoring compliance and evaluating performance. Timely and credible reporting of relevant financial information is also fundamental to holding government departments, and the government as a whole, accountable for the resources they use and the power they wield.

As I look at the state of financial management, I have three key concerns.

Concern 1: Modernization of financial management is long overdue

Modernizing Comptrollership — Time for Action

Improvements in the government's financial management system are taking place alongside a broader initiative to renew comptrollership in government. In its 1997 report, the Independent Review Panel on Modernization of Comptrollership in the Government of Canada argued that the comptrollership function — the way it is now viewed and practised — must change fundamentally to be appropriate to the needs of modern government.

The Panel put forth the following indicators for ascertaining whether modernization of comptrollership has taken place:

- The availability of government-wide performance standards, appropriately implemented to the circumstances of the separate departments
- The provision of comprehensive and credible performance information to decision makers
- The existence of centres of excellence for the training of managers and professionals in the requirements of comptrollership.

The government has accepted the recommendations of the Panel. I support the Comptroller General's efforts to implement them expeditiously.

The need to reform the way the government manages financial information has been on the public agenda for many years. Nearly four decades ago, the Royal Commission on Government Organization (Glassco Commission) called for the adoption of an accounting system that would provide better information on the full costs of government activities. The call has been repeated many times since then from many quarters, both within and outside government.

The government is now in the process of introducing such a system, under an initiative called the Financial Information Strategy (FIS). Among other things, FIS will replace the existing partly cash-based system of accounts with full accrual accounting. This means that spending on capital assets will be recognized as the assets are used up, so that costs will be distributed over the useful life of these assets. Currently, the total cost of a capital asset is charged to expenditures at the time the asset is acquired. By appropriately associating costs with the operations they support, accrual-based accounting will provide us with better information on what government programs actually cost.

Modernization of the government's financial management is long overdue. FIS itself was originally approved by Treasury Board in 1989 and was

re-endorsed as a government priority in 1995. But implementation has been slow.

We are still years away from having a financial management system that would meet acceptable standards in the private sector.

Although progress has accelerated recently, we are still years away from having a financial management system that would meet acceptable standards in the private sector. Further delay is not an option: the government needs financial information that it does not now have.

Concern 2: Government plans would create inconsistencies between parliamentary appropriations and government expenditures

As we reported in September, a key challenge of FIS will be to persuade departmental officials to use the new financial information in their day-to-day management of programs and activities. This is more likely to occur if funds are also appropriated on a full accrual basis. Announced government plans entail full accrual accounting for the annual Budget, the Public Accounts of Canada, departmental Reports on Plans and Priorities and departmental Performance Reports, but not for the Estimates submitted to Parliament for appropriation purposes.

In my view, this fissure in the structure of financial reporting could seriously impair the effectiveness of FIS. Commitment to accrual principles of accounting and budgeting would be lessened among program managers if those principles were not used for so basic a purpose as the granting of supply. It would also needlessly complicate the accountability regime by maintaining essentially two sets of books for the same activities, one for managing and one for reporting. Full benefits from FIS will not be realized unless it encompasses the supply process, so that the information used by public sector managers to plan and run programs is the same as that used by Parliament for purposes of resource allocation and approval.

Concern 3: The government's commitment to objective accounting standards needs to be reaffirmed

For me, one of the most encouraging aspects of FIS is the stated intention to follow accounting principles that accord with the recommendations of the Public Sector Accounting and Auditing Board (PSAAB) of the Canadian Institute of Chartered Accountants. These standards are developed openly, with full participation from the financial, accounting and public sector communities, and after due process that involves circulating exposure drafts and evaluating responses from interested parties.

Yet for three years running now, I have expressed concerns about the government's failure to comply with PSAAB standards in recording certain expenditures in the Public Accounts. Because of this, I have been obliged to qualify my opinion on the government's annual financial statements in each of the past two years. The expenditures in question included transitional assistance in 1996 for harmonizing provincial sales taxes with the GST, and funds to establish the Canada Foundation for Innovation in 1997 and the Canada Millennium Scholarship Foundation earlier this year.

Compliance with accounting standards recommended by un independent authority. Ilke the Public Sector Accounting and Auditing Board, should be the general practice in government accounting.

Compliance with accounting standards recommended by an independent authority, like the PSAAB, should be the general practice in government accounting. Accounts so prepared are likely to represent the consensus of financial, accounting and public sector experts on how best to reflect financial reality in government financial statements. In addition, because they will not be tainted by suspicion that the method followed was chosen for political or partisan advantage, the resulting reports will

have greater credibility both among citizens and in the national and international financial communities.

The recent Asian financial crisis attests to the importance of transparent, fair and complete information on the financial condition of governments. The International Monetary Fund identified lack of transparency as a contributing factor to that crisis. Opaque reporting practices and limited availability of data obstructed a realistic view of economic fundamentals in the countries now embroiled in economic troubles. Understandable, timely reporting of useful information contributes to better performance, by supporting informed decision-making and exposing the activities of government to the discipline of public scrutiny.

For related information, see Auditor General publications: The Financial Information Strategy: A Key Ingredient in Getting Government Right (1998 Report, Chapter 18); Reporting Government Financial Results: The Importance of Complying with Objective Accounting Standards (1998 Report, Chapter 9); Financial Management: Developing a Capability Model (1997 Report, Chapter 2); Management of the Government's Accounting Function: A Central Agency Perspective (1997 Report, Chapter 3). Other publication: Observations by the Auditor General (Public Accounts of Canada, Volume 1, Section 1, 1996 to 1998).

Better Integration of People Management with Ongoing Public Sector Reforms

One of the biggest challenges of the post-deficit era concerns the people of the public service and how they are managed. For government to function properly, Canada needs a strong public service. If government organizations are to innovate and deliver high-quality services to taxpayers, the public service needs to attract and retain talented people. And this valuable resource needs to be managed properly. This takes an effective blend of tangible elements, like good policies and systems, and less tangible elements, like strong leadership.

As I speak with senior government officials, I find much dissatisfaction with the current state of human resource management in the federal government. I have noted — as have other observers and government officials — that the public service is an institution under significant stress.

Dissatisfaction with existing human resource management is also reflected in the interest among government officials in alternative service delivery mechanisms. One of the driving factors has been that present staffing, classification and compensation systems are too unwieldy and inflexible. The government needs to ensure that the rush to get "outside the system" does not divert attention from "fixing the system".

Key people management issues that need addressing

- Modernized and simplified job classification and evaluation systems
- Improved mobility and career opportunities through training, hiring and transfer processes
- Rejuvenation and renewal of workforce to deal with loss of experienced staff and need for new skills
- Shortages in specialized groups (computer specialists, engineers, statisticians, etc.)
- More attention to the situation of employees who remain

Managing the work force after downsizing is a significant challenge. Our audits of the government's implementation of expenditure and work force reduction, reported last April, highlighted the need to ensure that work force capabilities match future demands. Early departure incentives often were not targeted with a clear idea of which types of employees would be needed in the future. The adjacent box lists a number of other issues that our audits identified as needing corrective action.

It is troubling that these various problems still besiege us. It is not for lack of consensus about the need to change. It is not because the problems have only recently been recognized —

the work force reductions have merely amplified issues that have existed for many years.

The elimination of the pay freeze last year has removed a major irritant and source of malaise among public servants. A host of initiatives aimed at revitalizing the public service are also under way, notably La Relève. But one has a sense that progress is slow, in part because there seems to be no overall vision of the role and makeup of the public service in a reorganized government sector.

Defining that vision requires answers to some difficult questions. Should the public service be managed uniformly, or should different parts of the public

service be managed differently? What should be the respective roles of the central agencies and departments? How best can the principles of merit and political independence be protected? But difficulties notwithstanding, defining that vision and reforming the public service are crucial to the success of the new public sector model the government is trying to create. Unless the "people" problems are solved, the chances of successfully implementing other public sector reforms cannot be rated high.

For related information, see Auditor General publications: Expenditure and Work Force Reductions in the Public Service (1998 Report, Chapter 1); Expenditure and Work Force Reductions in Selected Departments (1998 Report, Chapter 2).

Open and Meaningful Accountability to Parliament

One of the main responsibilities of Parliament is to hold the government accountable: to scrutinize the work of departments and agencies and to force the government to defend its policies and its handling of the public purse. To do this job effectively, parliamentarians need timely and relevant information on government objectives, expected results and actual performance.

I expect that the quality of the information reported will improve over time, as we learn by doing and as commitment to results and performance becomes more firmly established.

Information presented to Parliament also becomes available to the public at large, contributing to a citizenry that is better informed and better able to participate in the government process.

Significant steps forward have been taken recently in this area. The annual Performance Reports in the fall and the spring Reports on Plans and Priorities are prominent examples. These are initiatives designed to improve the information available to Parliament and to provide greater

opportunity for input into public policy and public management.

It is too early to judge the success of these initiatives. I expect that the quality of the information reported will improve over time, as we learn by doing and as commitment to results and performance becomes more firmly established. Parliamentarians can speed the process along by making effective use of that information. The greater the interest they show in these new departmental reports, the greater will be the incentive for departments to improve their quality. Better information should contribute in turn to better management, by facilitating input from a broader cross-section of stakeholders and by stimulating public servants to focus on results that matter to Canadians.

Alternative service delivery arrangements present a special challenge

As the government re-evaluates its role in order to live within its means, it is increasingly resorting to non-departmental mechanisms to deliver services.

These alternative service delivery (ASD) mechanisms take many forms, from special operating agencies within government to partnership arrangements with other levels of government or non-government participants, to commercialization of services. While the general concept is not new, the government has turned increasingly to ASDs to deliver services traditionally provided through departments.

ASD arrangements are generally more specialized than departments and enjoy more autonomy in the use of human and financial resources. Government control is normally exercised through more explicit framework agreements that specify performance targets and measures, and provide for less ministerial discretion. The overarching aim in all of these arrangements is to improve service delivery by vesting the delivery agency with greater flexibility and better incentives, while still maintaining adequate control over the use of public funds.

By moving outside the traditional departmental model, new delivery arrangements could dilute accountability and weaken public service values, unless set up properly.

Whatever the form of the agency used to deliver a service, when it involves federal resources and authority Canadians have a right to expect accountability through full and fair reporting to Parliament. By moving outside the traditional departmental model, new delivery arrangements could, if not properly set up, dilute accountability and weaken public service values. Experience in other jurisdictions shows that maintaining accountability and cohesion in these arrangements is a persistent challenge.

To assist Parliament, my Office has proposed a four-point framework for assessing proposals for new delivery arrangements, mirroring the four key principles of effective governance discussed on page 11:

- Achieving objectives. Is the new organization likely to provide better service? Would it meet its objectives in a cost-effective manner and without undue negative impacts?
- Accountability. Does the arrangement, in its use of federal resources and authority, make adequate provision for accountability to the responsible minister and to Parliament?
- **Transparency.** Does the mechanism ensure that Parliament and the public will receive key information?
- **Protection of the public interest.** Does the arrangement adequately recognize and protect the essential federal public policy purpose?

ASDs offer the promise of more efficient and responsive delivery through arrangements that are more focussed, flexible and client-centred than is often the case in traditional departments. At the same time, they may entail significant changes in the roles and responsibilities of ministers and in the relationship of service providers with central agencies and Parliament. These changes, in turn, raise important questions about how to integrate ASD activities with the rest of the public sector, how to maintain accountability to Parliament and how to ensure that the public interest is being served. These questions need to be effectively addressed for the promise of the ASDs to be fully met.

For related information, see Auditor General publications: Assessing Alternative Service Delivery Arrangements (Discussion Paper, June 1998); Creation of Canadian Food Inspection Agency (1998 Report, Chapter 12); Reporting Performance in the Expenditure Management System (1997 Report, Chapter 5); Transport Canada — The Commercialization of the Air Navigation System (1997 Report, Chapter 19).

Conclusion

Over the past few years, government spending and public sector reform have been driven largely by the need to reduce the huge fiscal imbalances that often threatened to push public finances to a crisis point. Strong incentives to be cost-conscious and frugal were naturally present in those circumstances. With the elimination of the deficit last year, these pressures have manifestly lessened.

In this new environment, where paying heed to efficiency and economy may no longer seem as pressing, the countervailing pressures that a good system of public sector management and reporting can bring to bear take on new importance. Elements of such a system include:

- a budget process that reminds us to take the long term into account;
- internal governance frameworks that promote openness and good performance;
- a public service culture and incentive structures that encourage innovation, creativity and continued attention to the public interest;
- accounting and information management systems that yield sound information for key decisions on the allocation and management of resources:
- effective integration of people management with other public sector functions, to ensure that the work force needed to support planned

- reforms is available and to accommodate worker concerns about those reforms; and
- an open and meaningful accountability regime that gives Canadians assurance that their views matter and that their tax dollars are used wisely.

Under the prod of tight resource constraints, much progress has been made in streamlining federal public administration in recent years, rendering it more efficient, responsive and transparent. The challenge now is to build on that progress, by creating new forces to sustain the momentum for improved performance. The challenge is difficult, but critical. Success entails more than giving taxpayers value for money, though it obviously does entail that. It means building a better country and a healthier democratic society. Improving public sector performance can help restore confidence in government — confidence that has eroded seriously after years of disappointed expectations. Continued over time, it will mean increasingly more effective government and stronger public institutions for our children and our children's children.



Chapter Supplement: Other Recent and Ongoing Audit Issues

Audit Assessments of Performance Information

For the first time, my Office is required by legislation to provide an assessment of the performance information reported by a new service delivery agency, the Canadian Food Inspection Agency (CFIA). Similar legislative requirements are envisioned for two other proposed service delivery agencies: the Canadian Parks Agency and the Canada Customs and Revenue Agency.

The Canadian Food Inspection Agency Act requires me to assess the fairness and reliability of the performance information included in the Agency's annual report against the objectives established in its corporate business plan. My first assessment was included in the Agency's annual report this year. The purpose of providing an independent assessment is to add credibility to the information reported by an organization about its performance.

This first assessment provided a good learning experience for both the Agency and my Office. We have seen an increasing interest in this form of assurance in some provinces and other countries. As I have indicated before, I am willing to consider more of this type of work if it is found useful to Parliament and the government.

I recognize that performance reporting is still developing in federal departments and agencies. In my view, more rapid progress toward better reporting is essential; Parliament and the public cannot be expected to wait long for good reporting to become the norm.

I will continue to press for better reporting and accountability and to contribute, wherever possible, to its achievement. Parliament and ministers have an important role to play too: meaningful performance reporting in other jurisdictions has often been achieved only after concerted pressure from political leaders.

For related information, see: Auditor General's Assessment of Performance Information (1997–98 Annual Report, Canadian Food Inspection Agency).

Ensuring Organizational Integrity in Revenue Canada

Ethical conduct in the public sector is a theme of continuing interest for our Office. In 1995, we reported on work we had done on the subject of integrity in government. The objective was to increase the clarity of core principles of ethical decision-making. The study proposed a framework for ethics in government based on the premise that "public service is a public trust."

In September of this year, we reported on how Revenue Canada promotes integrity among its employees. Our audit found that the Department recognizes the importance of a strong ethical culture to its success, and has adopted a number of measures to nurture a working environment supportive of an ethical culture. In addition to common procedures for investigating misconduct, disciplining offenders and correcting identified deficiencies, these measures include:

- incorporation of integrity and fairness among the principles in the Department's vision statement;
- dissemination of written codes of conduct to all staff; and
- training in the behaviour expected of employees.

These measures are consistent with the framework proposed in our 1995 study, and form a strong foundation for the promotion of integrity in Revenue Canada.

The audit also identified areas for improvement to reinforce that foundation. In particular, the codes of expected conduct could be made clearer and their rationale explained. As well, Revenue Canada could provide an ethics advisor to be available for private consultation and to act as a champion for measures aimed at promoting integrity in the Department.

Having ethical standards in place is not sufficient to ensure ethical performance, but it is a necessary step. Revenue Canada's initiatives in this area provide examples that other departments should consider emulating.

For related information, see Auditor General publications: Promoting Integrity in Revenue Canada (1998 Report, Chapter 15).

Examination of the Requirement to Report Specified Foreign Property

On 19 December 1997, the Governor General in Council, on the recommendation of the Minister of Finance and the Minister of National Revenue, asked me to examine the requirement to report specified foreign property under section 233.3 of the *Income Tax Act*. My report on the examination was tabled in the House of Commons on 5 June 1998.

We concluded that the requirement to report specified foreign property is an appropriate mechanism, within an overall strategy to enhance compliance with the laws that require reporting of foreign-source income and also to provide Revenue Canada with information to verify taxpayers' self-assessments. We also examined alternative mechanisms and concluded that none would be as effective as the existing requirement. It is with some disappointment, therefore, that I note the government has decided to implement a "check the box" alternative (which simply requires taxpayers to answer yes or no to a series of questions, without providing details about their assets). However, the government did accept most of our other recommendations.

This examination also provided us with a unique opportunity to seek the views of Canadians and tax experts abroad on the issue. Many who sent us submissions expressed serious and deep-felt concerns about privacy, economic and investment issues. We studied these concerns carefully and found that many were related most likely to the rates of taxation, the requirement to pay tax on worldwide income and a poor understanding of Canada's tax system, rather than to the reporting requirement we were asked to examine.

For related information, see Auditor General publication: Examination of the Requirement to Report Specified Foreign Property Under Section 233.3 of the Income Tax Act (1998 Report to the Ministers of Finance and National Revenue).

Progress on the Federal Science and Technology Strategy

In a series of reports for the better part of this decade, my Office has been encouraging the government to improve the management of its science and technology activities. The federal government unveiled its new science and technology strategy in March 1996, aimed at promoting scientific inquiry and applying technology in the best interests of Canadians. Our concern at this early stage is that the Strategy may lose its initial momentum, as happened with similar efforts in the past.

For this reason, we reviewed the government's progress to date in implementing the Strategy. In doing so, we kept in mind the messages of our previous work, namely, the need for mission-driven and results-based research, clear accountability and a focus on performance.

Our audit, presented in Chapter 22 of this Report, found that the government has been slow in establishing a new governance system for its science and technology activities and that it has not yet acted fully on its commitments under the Strategy. As a result, the management regime set up to oversee federal science and technology activities is not yet working as intended — that is, ensuring clear priorities, co-ordinated efforts and full reporting on performance.

To ensure that the Strategy stays on track, the government should set out clearly what still needs to be done and provide the necessary leadership to have it done. In an information-based world, getting our science and technology programs right is of paramount importance.

For related information, see Auditor General publications: The Federal Science and Technology Strategy — A Review of Progress (1998 Report, Chapter 22); Federal Science and Technology Activities — Follow-up (1996 Report, Chapter 15); Overall Management of Federal Science and Technology Activities (1994 Report, Chapter 9); Management of Departmental Science and Technology Activities (1994 Report, Chapter 10). Other publication: Science and Technology for the New Century: A Federal Strategy (March 1996).

Millennium Bug Still at Large

The Year 2000 problem, also known as Y2K and the millennium bug, refers to the potential for computer system failures as the year 2000 approaches. The problem stems from the common practice among computer programmers in the past (adopted for cost-saving reasons) to represent a year by two digits only. Computers so encoded will be unable to distinguish the year 2000 from the year 1900. That could cause them to shut down or otherwise malfunction. The potential for widespread disruption from such malfunctions is significant.

In 1997, I expressed concern, based on the results of an audit we had just completed, that government progress in preparing its systems for the Year 2000 had been slow. In a follow-up audit this year, we found that the pace of work on Year 2000 projects has accelerated and much progress has been made. But much remains to be done.

The Treasury Board Secretariat has been conducting surveys of systems in departments and agencies that support many key, mission-critical functions across government. Its most recent survey, completed in June 1998, showed that many systems were falling behind an already tight schedule. Our audit this year found that three of six mission-critical functions we examined remained at risk. I am very concerned that systems supporting many government-wide critical functions are at risk of not being Year 2000 compliant on time.

The Year 2000 problem is one to which solutions cannot be postponed. The government should continue to rank it as a top priority, intensify efforts to update systems to make them Year 2000 compliant, and develop contingency plans to ensure that essential government services are maintained as the Year 2000 rolls in.

For related information, see Auditor General publications: Preparedness for Year 2000: Government-Wide Mission-Critical Systems (1998 Report, Chapter 20); Information Technology: Preparedness for Year 2000 (1997 Report, Chapter 12).

A Strategic Approach to Sustainable Development

Organizations in both the private and public sectors are under increased pressure to improve their environmental performance and to contribute to sustainable development. The federal government has at times driven action in the private sector through its regulatory role; at other times it has played catch-up with practices that have taken root elsewhere.

As the largest single enterprise in Canada, the federal government is in a unique position to lead by example, by improving its environmental performance in areas like procurement, waste management, and the use of water, energy and land.

The government's impact on the environment, however, extends beyond its role as employer and consumer. Its major impact flows from the large number of policy and program decisions that influence the way individual producers and consumers affect the environment. The high clean-up costs and environmental damage at the Sydney Tar Ponds in Cape Breton illustrate some of the consequences of a lack of environmental foresight.

Twenty-eight federal organizations have now prepared sustainable development strategies and tabled them in the House of Commons. Through those strategies, departments are being challenged to take environmental, economic and social considerations into account more systematically across the board — in their policies, their programs and their day-to-day operations.

A year ago I said that a key challenge facing the federal government was to go beyond the rhetoric of sustainable development, and to focus on its practical implementation. The Commissioner of the Environment and Sustainable Development will be reporting on whether departments did what they said they would do.

For related information, see Auditor General publication: 1998 Report of the Commissioner of the Environment and Sustainable Development.

Opportunities for Cost Savings

Improving the efficiency and effectiveness of government activities and cultivating a healthy regard for economy are objectives central to our mandate and to the work this Office does. One way of promoting these objectives is by highlighting specific opportunities for cost savings. The following are examples taken from this year's Report:

- National Defence Equipping and Modernizing the Canadian Forces — Chapter 3. As part of its renewal efforts, National Defence is seeking ways to improve productivity and lower costs of operations.
 One option being considered is to reduce the frequency of personnel transfers. According to departmental estimates, this could save about \$100 million per year.
- Federal Laboratories for Human and Animal Health Building Project — Chapter 7. This Winnipeg-based project could have been delivered for at least \$5 million to \$10 million less than the estimated \$176 million it cost to complete.
- 1998 Report of the Commissioner of the Environment and Sustainable Development.
 Common indicators for reporting environmental performance could facilitate comparisons among departments and provide useful benchmarks for bringing about cost reductions. According to one recent study, implementing energy conservation measures government-wide could yield net savings of \$29 million per year by 2005.

Often our audits also find opportunities for cost savings that, while significant, are not easily quantifiable. For example, in Chapter 16 Management of the Social Insurance Number, we report that there are nearly four million more active Social Insurance Numbers than there are Canadians aged 20 or older. The Social Insurance Number is used as an identifier to verify entitlements to a wide array of social benefits and to assess taxes owed. The amounts involved are so huge (approximately \$100 billion in annual payments for all levels of government) that even a relatively low incidence of fraud and abuse could represent significant costs to governments.



Main Points



Table of Contents

			Page
Iain l	Points – Apr	il 1998	
	Chapter		
	1	Expenditure and Work Force Reductions in the Public Service	5
	2	Expenditure and Work Force Reductions in Selected Departments	6
	3	National Defence – Equipping and Modernizing the Canadian Forces	7
	4	National Defence - Buying Major Capital Equipment	8
	5	Revenue Canada, Department of Finance and Department of Justice – Interdepartmental Administration of the Income Tax System	10
	6	Population Aging and Information for Parliament: Understanding the Choices	11
	7	Federal Laboratories for Human and Animal Health Building Project	12
	8	Department of Finance – Effectiveness Measurement and Reporting	13
	9	Reporting Government Financial Results: The Importance of Complying with Objective Accounting Standards	14
Iain I	Points – Sept	tember 1998	
	Chapter		
	10	Canadian Human Rights Commission Human Rights Tribunal Panel	15
	11	Agriculture and Agri-Food Canada – Cash Advance Program	16
	12	Creation of the Canadian Food Inspection Agency	17
	13	National Energy Board	18
	14	Indian and Northern Affairs Canada - Comprehensive Land Claims	19
	15	Promoting Integrity in Revenue Canada	2()
	16	Management of the Social Insurance Number	21
	17	Patented Medicine Prices Review Board	23
	18	The Financial Information Strategy: A Key Ingredient in Getting Government Right	24

29

Other Audit Observations

Table of Con	tents	Page
Main Points – Deco	ember 1998	
Chapter		
19	Electronic Commerce: Conducting Government Business via the Internet	25
20	Preparedness for Year 2000: Government-Wide Mission-Critical Systems	26
21	Canadian International Development Agency – Geographic Programs	27
22	The Federal Science and Technology Strategy: A Review of Progress	28
23	Veterans Affairs Canada – Disability Pensions	29
24	Revenue Canada – International Tax Directorate: Human Resource Management	30
25	Transport Canada – Investments in Highways	31
26	Contracting for Professional Services: Selected Sole-Source Contracts	32
27	Grants and Contributions: Selected Programs in Industry Canada and Department of Canadian Heritage	33
28	Follow-up of Recommendations in Previous Reports	34

35



Expenditure and Work Force Reductions in the Public Service

Chapter 1 - Main Points

- 1.1 Expenditure and work force reductions have affected the public service and public servants for more than a decade. In 1995, the government launched Program Review, an initiative aimed at rethinking and realigning government programs in light of fiscal restraints.
- 1.2 To better manage expenditure and work force reductions, central agencies moved from imposing, directing and prescribing to providing leadership, guidance and support to departments. For example, instead of adopting the "one size fits all" approach, Treasury Board Secretariat proposed a management and accountability framework to departments and allowed incentive programs to take into account the differences in their context and operational environment.
- 1.3 Program Review was a success from many perspectives. The deficit has been reduced and personnel costs have decreased for the first time in more than a decade. In spite of a difficult climate, reductions were implemented without major work disruptions; and financial departure incentives have been effective in minimizing layoffs.
- 1.4 The cost of achieving work force reductions was high, however, not only in dollar terms but in human terms as well. For example, between 1992 and 1997 the government paid incentives to some 46,000 public servants, military and RCMP members to leave or retire. Furthermore, work force reductions have amplified a number of human resource issues, such as the need for rejuvenation and renewal and the need to modernize and simplify human resource systems. Many studies and our own audit work indicate that the public service is an institution under significant stress and that strong actions are now required.
- 1.5 Significant improvements were made in the management framework put in place by central agencies. Nonetheless, more efforts are needed to improve the management of work force reductions for example, in critical occupational groups where there might be surpluses in some departments but shortages in others.
- 1.6 There is a need to improve accountability to Parliament for expenditure and work force reductions, and for the related costs. Roles, responsibilities and accountabilities of central agencies and departments in the management of work force reductions also need to be clarified.



Expenditure and Work Force Reductions in Selected Departments

Chapter 2 - Main Points

- 2.1 As a result of a lengthy period of fiscal restraint and recent expenditure reduction programs, some federal government agencies have been abolished, some departments merged and others reduced in size. It is estimated that the public sector work force will have been reduced by approximately 45,000 employees between April 1995 and March 1998.
- 2.2 We selected seven departments to examine how and the extent to which expenditure reductions have been implemented. These organizations, representing over 170,000 employees, differed in size, structure and reduction targets.
- 2.3 Generally, departments we reviewed met their 1995–96 and 1996–97 expenditure and work force reduction requirements. Given progress to date, we expect that most of them will meet their reduction targets for the remaining two years of Program Review.
- 2.4 We found that ministerial commitment and departmental leadership were evident in setting direction and attaining momentum. Factors such as the size of the reduction, readiness for change and the time available to plan had an effect on departments' strategic planning for reduction. Departmental implementation of reduction was generally rigorous and employees were well informed both prior to and during the reduction process.
- 2.5 Although most reduction targets were met, and overall compliance with work force reduction policies had improved since our 1992 Report chapter, Payments to Employees under the Work Force Adjustment Policy, we found questionable actions in some departments. The need for incentive packages was not always well researched and there was a tendency to call for volunteers prior to identifying positions surplus to requirement. Best practices suggest that an organization should conduct a thorough cost/benefit analysis of alternatives; target incentives to areas where they are needed most; and identify the extent to which there is a need to call for volunteers.
- 2.6 Departments focussed primarily on meeting reduction targets in a timely manner. Less emphasis was placed on cost management. Such factors as the initial lack of necessary financial and human resource information, departments not having to fund entirely the departure incentives they provided, and an unclear Treasury Board Secretariat accountability structure for departmental work force reduction costs contributed to a general lack of cost consciousness in departments.
- 2.7 Throughout work force reduction, departments treated departing employees in a humane and sensitive manner. Departments paid less attention generally to those who remained and to their concerns regarding the loss of experienced and qualified colleagues, the level of workload per employee and future departmental direction. Departments have now entered a period of transition that will require not only adjusting organizational structures and operations but also paying particular attention to ensuring that work force capability meets future operational demands.



National Defence

Equipping and Modernizing the Canadian Forces

Chapter 3 - Main Points

- 3.1 A modern, multi-purpose, combat-capable force able to "fight alongside the best, against the best" is necessary to fulfil Canada's defence policy commitments, although the policy does not require the Canadian Forces to possess every component of military capability.
- 3.2 According to Department of National Defence officials, Canada's White Paper commitments are defined by the defence capabilities of the Canadian Forces. We found many equipment deficiencies that limit capabilities.
- 3.3 If the status quo persists, the Department's available capital funding may not be sufficient to equip and modernize the force that National Defence is currently planning. Officials told us that they expect to be able to increase the capital portion of the budget. Nevertheless, they anticipate that hard choices may have to be made.
- **3.4** Personnel, operations and maintenance costs are rising, which is further reducing the portion of the budget available for capital equipment.
- 3.5 We found that the Department does not have an adequate policy framework to direct the almost \$1.4 billion it spends each year on equipment modernization. It does not yet have in place fully developed operational scenarios to guide planners, or performance information that identifies gaps.
- 3.6 Some other countries notably the United States and New Zealand have taken the lead in the way their government budgeting and management systems actively manage defence policy and resources.



National Defence

Buying Major Capital Equipment

Chapter 4 - Main Points

- 4.1 National Defence plans to spend almost \$6.5 billion over the next five years to purchase equipment that Canada's armed forces need to carry out their assigned tasks. As Chapter 3 indicates, the Department's available capital funding may not be sufficient to equip and modernize the force that is currently planned.
- 4.2 This chapter reports our findings on the management of six major capital projects with a total value of \$3.3 billion.
- 4.3 All six projects we examined are likely to meet their contract cost and performance objectives. For example, the Eryx anti-tank missile system and the Coyote reconnaissance vehicle appear to perform especially well and have attracted the interest of foreign armed services. Nevertheless, we are concerned about several of the management practices we observed.
- 4.4 We found that defence policy allows wide latitude in the level of equipment capability required. We noted in the projects we examined that affordability constraints resulted in only low-end capability being purchased, limitations in the number purchased, or both:
 - the Maritime Coastal Defence Vessel is acquiring two sets of mechanical minesweeping gear for 12 ships effective only against some types of mines, and has not acquired some of the equipment necessary to patrol effectively in darkness and poor visibility;
 - the Leopard C1 tank is being fitted with only an improved sight, although the army had considered a complete upgrade, including the gun and armour, to be the "minimum viable" option;
 - the Griffon helicopter cannot meet the army's original lift and communications requirements;
 - fewer Eryx missiles and Coyote vehicles have been purchased than were originally intended.
- 4.5 We are concerned at the extent to which the Department relies on professional judgment in making complex purchase decisions. Management did not conduct adequate analyses to justify its spending decisions for most of the projects we examined. Tactical studies often did not reflect the way officials said they actually planned to employ equipment, were done too late to influence decisions, produced results that contradicted the purchase decision, were undertaken by contractors who had an interest in the Department's decision, or were not done at all.
- 4.6 In three cases, the Department considered only a single option. In other cases, the options analyses were inadequate.
- 4.7 Only one project of the six fully met our expectations for a rigorous risk management process. No project we examined has suffered major problems so far because of this, but we identified several instances where better risk management might have improved project delivery.

Chapter 4 - Main Points (cont'd)

- 4.8 Although test and evaluation processes were satisfactory in most cases, for some of the projects that involved commercially based designs, the equipment was not tested under actual operating conditions until after it had been introduced into service. Problems have since been discovered that have affected the operational capability of some of the equipment. The Department is currently working to resolve these problems.
- 4.9 The Department began a major management renewal program in 1994 that included the capital acquisition process. Because it considered other areas to be more important, it deferred work on capital equipment acquisition and it does not yet have an implementation plan. The Department has begun work on the plan, including three pilot projects. Because equipment acquisition is a government-wide process, the Department is working with Public Works and Government Services Canada, Industry Canada, and the private sector to improve government practices. We believe the departments concerned must develop a plan with definite dates and milestones to complete their reform process.



Revenue Canada, Department of Finance and Department of Justice

Interdepartmental Administration of the Income Tax System

Chapter 5 - Main Points

- 5.1 Three departments play a key role in administering the income tax system. The Department of Finance is responsible for the formulation of tax policy and the introduction of new tax legislation, Revenue Canada oversees the administration of tax laws and the Department of Justice provides legal advisory services and litigation services to both Finance and Revenue Canada.
- **5.2** Efficient and effective relationships among Revenue Canada, the Department of Justice and the Department of Finance are essential for the smooth functioning of the income tax system. This audit was undertaken because our past work had raised some concerns about the management of risk to the tax base. Our current examination found that the departments have taken many important measures to improve their relationships. We have been told that the proposed change of Revenue Canada to a new Canada Customs and Revenue Agency will not affect their relationships.
- 5.3 An important aspect of managing the risk to the tax base is the identification and correction of legislative deficiencies. We found that Revenue Canada and the Department of Justice regularly bring deficiencies to the attention of the Department of Finance. However, the correction of legislative deficiencies is left to the discretion of the Department of Finance.
- As all three departments are key players in managing the risks arising from legislative deficiencies, it is important that they all be involved in deciding which deficiency should be given priority.
- 5.5 The management of tax litigation risks has been improved. However, Revenue Canada and the Department of Justice need to strengthen the partnership arrangement for planning litigation needs and managing the risks.
- 5.6 Settlements of income tax disputes resolved through consent judgments have been made on a mix of law and facts. Revenue Canada should provide transparency in the settlement agreements it undertakes. As an example, United States income tax law provides public access to settlement agreements, with privacy protection of the taxpayer's identity.



Population Aging and Information for Parliament: Understanding the Choices

Chapter 6 – Main Points

- 6.1 Canada today is sitting on a very favourable demographic structure, with a historically low ratio of youth and elderly to the working-age population. In the coming few decades, this situation will be radically transformed. By the second decade of the next century, when the leading edge of the baby boom generation reaches normal retirement age, the growth in Canada's elderly population will accelerate while that of the working-age population will slow to a crawl.
- 6.2 This demographic shift has the potential to affect government finances in a significant way. An aging population puts pressure on government spending through higher pension payments and increased demands for health care services. Also, unless there are significant changes in the patterns of work, this demographic change will reduce labour force growth dramatically, which in turn would slow down economic growth and, with that, the growth in government revenues. This combination could put enormous pressures on our public finances when the full impact of this demographic change is felt by the second decade of the next century, particularly if Canada's debt burden and tax levels remain high.
- 6.3 The government is well aware of these pressures; during consultations on reforming specific programs like the Canada Pension Plan, it provided detailed projections of the effects of demographic forces on CPP finances. This longer-term information not only helped inform public debate, but also motivated acceptance of the need for change. To a lesser extent, as government began discussing reforms to Old Age Security and the Guaranteed Income Supplement (the Seniors Benefit), it again provided longer-term projections of the financial impacts.
- 6.4 Yet what it has done to highlight the impact of demographics on the financial health of individual programs, it has failed to do for the financial health of the government as a whole. Consequently, parliamentarians are left to make annual financial decisions, many of which have lasting consequences, without a macro perspective a summing up of the financial impacts that demographics can potentially have on the government's long-term financial health.
- 6.5 The importance of appropriate information to help parliamentarians understand the government's financial condition is clearly a responsibility and a theme on which we have reported over the last six years. This chapter, illustrating the feasibility of preparing such longer-term information and the significance of that information, is a continuum of the "Information for Parliament" chapters in our 1993 and 1995 Reports. The particular contribution of this chapter is its focus on the role of demographics in assessing the government's financial condition.



Federal Laboratories for Human and Animal Health Building Project

Chapter 7 - Main Points

- 7.1 The new Federal Laboratories for Human and Animal Health in Winnipeg contain some of the most advanced diagnostic, research and training facilities of their kind in the world. The facility is the first in the world to combine laboratories concerned with both human and animal diseases, and the first in Canada capable of handling the most dangerous viruses known. The facility is to be used by Health Canada and the Canadian Food Inspection Agency.
- 7.2 International experts involved in reviewing the design and construction of the facility have noted that it is extremely secure with regard to containment of biohazardous materials.
- 7.3 Despite a lengthy history of project proposals by Agriculture and Agri-Food Canada and Health Canada to construct new laboratory facilities, the Winnipeg project was undertaken without adequate analyses of existing laboratory capacity. The Winnipeg facility currently has space that exceeds its planned program needs and the amount approved by Treasury Board, and that has added to a national inventory of surplus laboratory capacity.
- 7.4 Health Canada and the Canadian Food Inspection Agency have informed us that they recognize the importance of ensuring that the facility is fully used, including the need to explore potential cost-recovery opportunities. To date, however, a comprehensive business plan and strategy for achieving these aims has not been developed.
- 7.5 In our opinion, the project is approximately 12 months behind schedule and could have been delivered for at least \$5 million to \$10 million less. In addition, the approved project budget of \$141.8 million does not accurately reflect the project's total cost to the taxpayer, currently estimated at \$176 million. The proposed project budget did not identify all project costs, as required by Treasury Board policy.
- 7.6 We identified several areas where Public Works and Government Services Canada can improve its practices in selecting and managing consultants on future complex projects like this one. We also noted that shared authority and accountability require careful management to mitigate risks of project delays and added costs.
- 7.7 As we have noted in reviewing other government projects, the current "build [up] to budget" approach, the lack of systemic incentives for seeking cost savings within approved budgets, and the absence of a departmental culture that supports such aims do not encourage the parties to identify and realize potential cost savings.
- 7.8 The new facility is a potential source of pride for all Canadians as it contributes to the global effort to identify and combat human and animal infectious diseases. Due to the nature of its programs, the Winnipeg laboratories will be expensive to operate and maintain. The challenge for Health Canada and the Canadian Food Inspection Agency will be to ensure that the full potential of this new facility is achieved.



Department of Finance

Effectiveness Measurement and Reporting

Chapter 8 - Main Points

- 8.1 In addition to functions that include preparing the Budget and providing economic policy advice to the government, the Department of Finance has responsibilities related to a number of policies and programs. The Department's 1997–98 planned expenditures of \$66 billion account for 43 percent of planned federal expenditures. The Department is also responsible for federal tax policy, including preferential tax provisions that are intended to lead to the achievement of a variety of government policy objectives.
- **8.2** The significance of the Department's policy and program responsibilities underlines the importance of its obligation to make known to Parliament and to the public, in a clear and meaningful manner, the nature and extent of those responsibilities, the objectives involved and the results achieved relative to those objectives.
- **8.3** Improvement is required in providing Parliament with clear and consistent statements of objectives and of the Department's policy and program-related responsibilities. For many policies and programs, the Department shares responsibilities with other departments and agencies. We found a general lack of clarity in documents directed to Parliament about the other departments and agencies involved and the manner in which responsibilities are shared.
- **8.4** We found gaps in reporting to Parliament on results achieved relative to objectives. Our findings in this audit are consistent with the findings of a number of audits of individual policies and programs undertaken by this Office over the past six years. The picture that emerges is one of known shortcomings, and insufficient attention to measuring effectiveness and reporting results to Parliament and the public.
- 8.5 Legislative provisions governing a number of the Department's policies and programs have been the subject of review by Parliament to consider whether the provisions should be changed to improve performance and to enable policies and programs to be adapted to new circumstances. Such legislative reviews are valuable in their own right; they are not, however, a substitute for systematic measurement and reporting of effectiveness information by the Department. We believe legislative reviews would be enhanced by Parliament having more regular and timely access to information on the results that policies and programs have achieved.
- **8.6** Planning for effectiveness measurement and reporting is not sufficiently linked with the Department's corporate planning process. The Department's current approach results in an effectiveness measurement function that is partial in coverage and not clearly integrated with the overall corporate management structure. In view of the limited resources allocated specifically to the function, we are concerned about the Department's capacity to meet its obligations to account to Parliament for results achieved.



Reporting Government Financial Results: The Importance of Complying with Objective Accounting Standards

Chapter 9 - Main Points

- 9.1 The 1980s and early nineties have seen major advances in financial reporting by sovereign governments, with Canada among the leaders. However, over the past two years the Government of Canada has begun departing from both objective accounting standards and its own stated accounting policies for certain transactions. Moreover, the 24 February 1998 Budget indicates that a similar departure will occur in 1998.
- 9.2 In 1996, transitional assistance for harmonizing PST with GST was included in the deficit even though provinces had not yet agreed to the harmonization by the end of the year. In 1997, funding of the Canada Foundation for Innovation was included in the deficit even though the Foundation did not exist by the end of the year. In 1998, the 24 February 1998 Budget indicates that funding of the Canada Millennium Scholarship Foundation will be included in financial results whether or not the Foundation exists by the end of the year.
- 9.3 As auditors of the government's financial statements, we are deeply concerned over this recent disregard by the government for objective accounting standards in reporting its financial results to Parliament and to Canadians. This is not merely a technical disagreement between an accountant and an auditor. Objective accounting standards are accepted and identifiable standards that are established by an arm's-length standard-setting body the Canadian Institute of Chartered Accountants (CICA). Business firms cannot depart from objective accounting standards established by the CICA, to hide losses or to hide profits. Parliamentarians should expect no less from the government.
- 9.4 Meeting the significant challenges of the next decade will require, among other things, credible annual reports by the government on its overall financial health. In our view, departures from CICA standards and the government's own accounting policies must cease if credibility is to be restored to the reports that parliamentarians and others need.
- 9.5 Accordingly, we have recommended that the Government of Canada ensure that its accounting policies and practices conform with recommendations issued by the CICA's Public Sector Accounting and Auditing Board. Implementation of this recommendation will require continued diligence by the Public Accounts Committee of the House of Commons in reviewing the government's annual financial statements.
- Although this chapter calls Parliament's attention to inappropriate accounting, there are related concerns that we have and will continue to report separately. They deal with accountability and parliamentary oversight for entities such as the Innovation Foundation and the Millennium Scholarship Foundation, and with whether or not such entities are, in substance, operating at arm's length from the government.



Canadian Human Rights Commission Human Rights Tribunal Panel

Chapter 10 - Main Points

- 10.1 In 1977 Parliament established the Canadian Human Rights Commission and the Human Rights Tribunal Panel to resolve human rights complaints quickly, impartially and expertly. The Commission investigates complaints and, if it decides that an inquiry is warranted, forwards the complaint to the Tribunal for adjudication. This model was chosen as the alternative to the formal processes of the courts. However, the approach that has evolved is cumbersome, time-consuming and expensive.
- 10.2 Between 1988 and 1997, the Commission received about 7,450 signed complaints, excluding pay equity complaints. It made final decisions on about 6,550 of the 7,450 signed complaints. The Commission dismissed or did not proceed with about two thirds of these complaints. About six percent of complaints were forwarded to the Tribunal for inquiry.
- 10.3 Although major efforts have been made to improve the handling of complaints, it still takes a long time for a complaint to be reviewed an average of about two years for the Commission and about a year for the Tribunal. In 1997 almost one half of the Commission's 900 open cases were still being investigated one year after the signing of the complaint.
- 10.4 The Commission tries to settle complaints through conciliation and the Tribunal also tries to mediate complaints after the Commission forwards them for inquiry. Because the Commission has its own settlement objectives, it is not a neutral conciliator. Since 1996 about 18 percent of complaints have been settled through early resolution or conciliation. The Commission took an average of about 45 months to reach a final decision when complaints were investigated and then sent to conciliation.
- 10.5 The Commission and the Tribunal are operating in a complex environment that poses major risks. The grounds for making a complaint are increasing and concepts of discrimination are becoming more complex. The environment also is more litigious and contentious. The Commission's total funding has been reduced from a high of \$16.15 million in 1992–93 to \$14.8 million in 1998–99. The number of investigators also has been reduced from a high of 37 to 25. Further, the Commission is experiencing a high turnover of investigative staff, necessitating the reassignment of cases to other investigators. We also are concerned that the Commission is not consistently adhering to some of its key investigative standards.
- 10.6 We note that the Minister of Justice has stated that a broad review of the Canadian Human Rights Act will be undertaken. The Commission has welcomed this proposal. The December 1997 Third Report of the Senate Standing Committee on Legal and Constitutional Affairs also called for a comprehensive assessment.
- 10.7 We agree that a fundamental review by Parliament is needed and recommend that the government identify and present to Parliament an integrated set of specific measures to increase the effectiveness of addressing human rights complaints. Possible measures are summarized in the concluding section of this chapter.



Agriculture and Agri-Food Canada

Cash Advance Program

Chapter 11 - Main Points

- 11.1 The Department's cash advance program is one vehicle the government makes available to producers of storable crops to provide additional flexibility in making marketing decisions. It consists of a short-term loan made available at harvest, a time when financial obligations of producers are often at their peak. The financing provides a bridge for producers until they market their crop and begin to earn revenue. In recent years, the annual amount of these loans has ranged from \$730 million to over \$1.2 billion.
- 11.2 The program has been very well received. Producers we contacted liked the availability and predictability of cash flow at harvest time, and the interest-free feature of the program. Many of the large agricultural assistance programs of the past have ended, and producers see this program as an important sign of continuing government support for the sector.
- 11.3 In 1993, the Department's Review Branch completed an evaluation that reached some positive conclusions about the program, but also raised some significant concerns, particularly with the program's interest-free nature. It also concluded that there was no firm evidence that the program contributes to orderly marketing.
- 11.4 In 1997 new legislation, the *Agricultural Marketing Programs Act (AMPA)*, was passed that updated and consolidated the two previous cash advance programs into one, and made permanent in legislation the interest-free provision. The rationale for providing advances interest-free was not made clear by the government, despite the evaluation's finding that a clear objective for this component was needed.
- 11.5 Under the new legislation, a review of the provisions and operations of the Act must be completed in the fifth year of operation, which begins in 2001. The 1993 evaluation furnished important information about the program's effectiveness; however, as in any study, some questions remain unanswered that we believe should be addressed in the coming review. Among others, these include whether producers indeed face a significant problem of access to credit at harvest time and whether losses arising from the government's guarantee on these loans are being well managed.
- 11.6 We identified limitations in how the cash advance evaluation findings were publicly reported. Similar limitations were noted in the dissemination of other studies produced by departmental branches on the impacts and effectiveness of programs. In our view, a number of characteristics of the Department, its legislation and stakeholder community create a strong case for more actively alerting outside parties to the existence and findings of effectiveness studies. Some areas of the Department are indeed taking steps in this direction.



Creation of the Canadian Food Inspection Agency

Chapter 12 - Main Points

- 12.1 The federal government is considering the use of alternative service delivery (ASD) arrangements in order to improve service delivery. The Canadian Food Inspection Agency (CFIA) was the government's first legislated service agency; it was created as a departmental corporation and became operational 1 April 1997. Its primary responsibility is to contribute to food safety, plant and animal health as well as to facilitate trade in all areas by providing inspection and related services.
- 12.2 There was a clear rationale for creating the Agency, including a 30-year history of studies related to reorganizing the federal food inspection system and the government's commitment to a new and better way of delivering services. Senior officials of the three federal departments then involved in food safety inspection supported the initiative to create a single food inspection service. This initiative illustrated that change can be best introduced and sustained when there is a clear rationale that has the support of senior officials.
- 12.3 The designation of a structured and independent team was crucial to managing the move to agency status. The team's work was separate from the ongoing business of inspections and quarantine activities, so those services could continue without interruption throughout the creation of the CFIA.
- 12.4 One of the driving forces behind the move to ASD arrangements is their greater flexibility in human resource management. With the move outside the *Public Service Employment Act* and the change to separate employer status, the shift to a new human resources regime was one of the Agency's greatest challenges. The complexities entailed in creating a new human resource framework as a separate employer need to be recognized and planned for early in the change process.
- 12.5 In an area of shared responsibility such as food safety, roles need to be carefully defined and mechanisms established to resolve unanticipated problems. The establishment of an accountability framework was a key concern during the creation of the CFIA. Specific responsibilities for food safety were assigned to the Minister of Agriculture and the Minister of Health. Some operational details were still being worked out as new issues arose during the first year of operations.



National Energy Board

Chapter 13 - Main Points

- 13.1 The *National Energy Board Act* has not been amended significantly since it established the National Energy Board (NEB) in 1959. While the NEB has been given some new responsibilities in areas such as frontier activities, its role has not changed much since its creation. However, its modus operandi has changed significantly. Through regulatory changes, the Board has moved from an interventionist approach to reliance on market-based forces, industry self-regulation and negotiated toll structures. During this period of evolution, the NEB has moved its operations from Ottawa to Calgary, downsized its staff complement by 35 percent and reorganized itself internally for greater efficiency. However, it has not objectively measured the extent to which it is being effective and relevant.
- 13.2 The Board has recognized that the aging of the Canadian pipeline system poses potential threats to public safety and the environment. The number of reported pipeline incidents has increased in recent years. A risk assessment methodology is being developed that should improve the targeting of inspections and safety audits. However, deficiencies in information management will need to be addressed.
- 13.3 The Board's ability to fully meet its environmental regulatory responsibilities is at risk due to shortfalls in its environmental inspection program namely, in setting priorities and scheduling inspections and in inspection practices, which are too informal and unstructured.
- 13.4 Since 1991, the NEB has recovered most of its costs from industry. No change has yet been made to its cost allocation method, despite some concerns expressed by stakeholders about its fairness. The NEB has settled for simplicity at the expense of cost causality. The Board does not have a cost accounting system; it needs to recover costs in a way that is more equitable and acceptable to stakeholders.
- 13.5 The NEB is moving toward management for results, by adopting a new accountability framework and changing its style of decision making. While it is too early to evaluate the results of this initiative, we noted that significant opportunities exist to better link its human resource management activities to its vision of the future. In addition, the NEB will need to state and report clearly what it wants to achieve, monitor its performance on a regular and systematic basis and better link the results achieved to the costs.



Indian and Northern Affairs Canada

Comprehensive Land Claims

Chapter 14 - Main Points

- 14.1 Comprehensive land claim settlements are modern treaties that are significant not only to Aboriginal communities but also to all Canadians. Settlements involve the payment by the federal government to Aboriginal groups of almost two billion dollars and the clarification of various rights, including full ownership of over a half-million square kilometres of land. The first modern negotiated settlement of a comprehensive land claim was signed in 1975, and the most recent settlement was reached in July 1997. As of July 1997, 12 claims had been settled. Actual and potential claims involving over 200 First Nations are still to be settled.
- 14.2 The Government of Canada has chosen to settle these claims by negotiation rather than litigation or other means. Indian and Northern Affairs Canada is the lead federal representative in negotiations, with participation of other federal departments as appropriate. Other parties include the territorial governments, provincial governments, and the claimants. Although the Department bears significant accountability for results, it is not the only party that should be accountable; the good will and political resolve of all participants are needed in order to achieve appropriate settlements.
- 14.3 The government has reported that negotiated settlements establish certainty to land title and access to land and resources. However, removing uncertainty involves much more than signing an agreement. Among other things, successful implementation of settlements is critical to achieving the intent of these treaties. Implementation involves hundreds of projects with joint or separate participation of the parties. We found deficiencies in implementation, including inadequate or non-existent implementation plans, and the need to improve monitoring, reporting and evaluating.
- 14.4 Indian and Northern Affairs Canada has not demonstrated that it has always exercised adequate rigour in determining the nature and amount of assets that may ultimately be included in final settlements, including such considerations as the amounts of cash, land and other resources.
- 14.5 Settlements can take over 20 years to reach. Delays have had many causes. In our view, these long time frames do not contribute to cost effectiveness, and may result in less desirable outcomes for all concerned.



Promoting Integrity in Revenue Canada

Chapter 15 - Main Points

- 15.1 The success of Revenue Canada's programs depends largely upon voluntary compliance with tax requirements by individuals and businesses. We believe that one of the many factors affecting the likelihood of their voluntary compliance is their perception of the conduct of Revenue Canada's staff. An organization like Revenue Canada, with its decentralized operations and the extensive exercise of judgment by employees, must take adequate precautions to minimize the risk of employee misconduct. Our audit looked at various means that the Department employs to promote integrity among its employees.
- 15.2 All of these means, taken together, form an important foundation for the promotion of integrity in Revenue Canada. The Department investigates incidents of misconduct; discipline is imposed on employees found guilty of misconduct; and, on the whole, management takes appropriate action, where weaknesses are highlighted by incidents, to prevent similar misconduct. Further, distributing statements of its mission, vision and values and three key booklets on conduct are important steps Revenue Canada has taken toward promoting an ethical culture. Most employees have received some formal training on expected conduct.
- 15.3 There are areas where improvement will help Revenue Canada reinforce this sound foundation. Because the disciplinary process can be slow, its effectiveness as a deterrent to similar misconduct may be diminished. While management takes action to correct weaknesses highlighted by incidents, at times its responses are slow and focussed narrowly on local rather than department-wide weaknesses. Further, information provided on values and conduct is not presented in a way that allows easy understanding, and training is uneven. The Department takes few steps to monitor the level of employees' understanding of expected values and conduct. Nor does it provide an individual whom employees can consult on a confidential basis on issues of integrity.



Management of the Social Insurance Number

Chapter 16 - Main Points

- 16.1 The Social Insurance Number (SIN) was implemented in 1964, to provide Unemployment Insurance, Canada Pension Plan and Quebec Pension Plan clients with a file number. In 1967, it also became a file identifier for Revenue Canada. From the outset, the SIN was the subject of intense parliamentary interest and debate. The controversy focussed largely on the implications of a potential expansion of its use to become a universal identifier. The history of the SIN has mainly reflected the tension between balancing the often competing objectives of maintaining individual privacy and improving administrative efficiency and effectiveness.
- 16.2 Human Resources Development Canada has been administering the SIN in accordance with the intent of its legal framework whereby the SIN is intended to be a file identifier (account number) for certain federal government programs. However, the public often perceives the SIN to be a personal identifier or even an identity card.
- 16.3 The use of the SIN outside the federal domain has evolved beyond the intent of the Treasury Board policy established in 1989, aimed at preventing it from becoming a national personal identifier. Our audit found that the SIN has become the common numerical identifier both inside and outside the federal government for a wide range of income-related transactions and benefits, among other uses.
- 16.4 Changes to the *Income Tax Act* and Regulations have increased the use of the SIN at the provincial/territorial level and in the private sector, as have the growing number of data exchanges, comparisons and matches among various tiers of social programs.
- 16.5 However, the SIN has a number of weaknesses. Some of them are well known. As the use of the SIN has become more widespread, these weaknesses have grown in importance. They include the following:
 - The information on SIN holders, particularly on births and deaths, is not always complete and accurate.
 - Existing SIN application procedures are insufficient to guard against fraud and abuse. Holders of 11.8 million SINs who registered prior to the introduction of the proof-of-identity program in 1976 have not been asked to provide proof-of-identity documentation. This exacerbates the risk of misrepresentation.
 - The provinces and financial institutions are required by the *Income Tax Act* and Regulations to collect SINs for tax purposes but cannot validate the SIN numbers provided by their clients.
 - SIN errors, abuse, and misuse affect many federal programs, provinces and the private sector. Collectively, the impact may be sizable.
 - Minimal effort is dedicated to investigations of SIN fraud and abuse, and penalties are minimal, with no real impact on deterrence.
 - Unregulated use in the private sector, except in Quebec, makes it vulnerable to abuse in terms of both privacy and fraud.

Chapter 16 - Main Points (cont'd)

- 16.6 The effectiveness of certain administrative decisions as well as the integrity of social programs are greatly facilitated by the reliability of the information contained in the SIN data base. We believe it is time to review the current roles, objectives and uses of the SIN in light of its governmental and societal importance. The government needs to clearly state the level of integrity and privacy protection expected in the system.
- 16.7 There appear to be two options: improve the existing framework to catch up with the current reality of SIN usage or else devise an acceptable alternative solution to meet the needs of users, including governments and individuals. In any case, the privacy implications need to be recognized. In our view, it is essential that Parliament play a major role in debating these issues, increasing public awareness, and finding a satisfactory solution.



Patented Medicine Prices Review Board

Chapter 17 - Main Points

- 17.1 The Patented Medicine Prices Review Board (PMPRB) is a small quasi-judicial board with an annual budget of approximately \$3 million and 35 full-time-equivalent employees. Created in 1987, it has a mandate to protect consumer interests and contribute to Canadian health care by ensuring that prices charged by manufacturers of patented medicines are not excessive. However, the scope of its jurisdiction and the limitations of its consumer protection role are not widely understood.
- 17.2 Since 1988, average annual increases in prices of patented medicines have moderated. The Board has contributed to the containment of patented drug prices, and has taken steps to assess the impact of federal price regulation. However, other factors also have contributed and we are concerned that the Board's estimates of its savings to the Canadian health care system are overstated. In reporting its results to Parliament, the Board did not clearly identify the limitations of the estimates of its own impact.
- 17.3 The audit identified issues pertaining to the legislative framework that need to be reviewed. The legislation is silent or unclear on certain areas. In addition, some requirements under the legislation are difficult to apply in practice, and consideration needs to be given to reviewing their continued relevance.
- 17.4 The majority of patented drugs sold in Canada are priced within the Board's guidelines. However, the Board needs to ensure that its price review decisions are clear and transparent. The Board also needs to identify cost-effective means to check the accuracy of price information submitted by manufacturers. Improvements are also required in the reporting of drug price trends and pharmaceutical research and development expenditures.



The Financial Information Strategy: A Key Ingredient in Getting Government Right

Chapter 18 - Main Points

- 18.1 Under the Financial Information Strategy (FIS), the government is making sweeping changes in the type of financial information provided to decision makers. FIS involves the move to full accrual accounting similar to that used by business firms, the implementation of new financial systems and the integration of full accrual financial information into day-to-day decision making of departmental managers. When fully implemented, by 2001 according to the current plan, FIS should help the government strengthen significantly its management of business lines and its accountability to Parliament. The government has clearly indicated that it is committed to getting government right and has established FIS as one important initiative in doing this. The Office of the Auditor General fully supports the stated objectives of FIS.
- 18.2 FIS began a decade ago. Progress in the early years was slow, but in recent years the tempo of work has picked up. To date, FIS has focussed on implementing new departmental financial systems that are Year 2000-compliant and on ensuring that departmental and central systems will provide appropriate information to include in the government's annual financial statements.
- 18.3 However, the government has yet to implement its plans to deal with the important area of making full accrual financial information available to officials within departments and agencies who manage business lines and related components on a day-to-day basis. One of the objectives of FIS is to provide officials with more complete information on costs to compare with results achieved when making key decisions. Until this is done, the full benefits of FIS will not be realized.
- 18.4 While better cost information for decision making is a benefit of FIS, we note that neither individual departments nor the government overall are aware of the full costs of FIS implementation, which could be significant.
- 18.5 The government and Parliament can help ensure the success of FIS by appropriating funds on a full accrual basis, so that accountability and reporting are on the same basis. But central agencies and individual departments must also act to help ensure that the full benefits of FIS are achieved. Central agencies must secure complete departmental "buy-in", and deputy ministers of individual departments must put in place the necessary infrastructure, including appropriate systems and human resources.
- 18.6 Departments face a major challenge in completing the renewal of their financial systems to meet the objectives of FIS. Best practices and lessons learned from others who have gone before can help achieve success.
- Given the massive scale of financial systems renewal now under way to meet the Year 2000 challenge, we believe that there is a unique opportunity to put FIS in place by the 2001 target implementation date. This is not a simple task. To obtain the full benefits of FIS and thus have in place the information required for government today, the challenges faced by the government and summarized in this chapter must be met. In future audits, we will continue to track the government's progress in implementing FIS and achieving these benefits.



Electronic Commerce

Conducting Government Business via the Internet

Chapter 19 - Main Points

- 19.1 Research groups and experts in the information technology industry have predicted a phenomenal growth in the use of the Internet for business. In government, the Internet provides an opportunity to streamline operations and improve service delivery, as well as an alternative mode of conducting business. In a policy statement, the government committed to making electronic commerce its preferred way of doing business by 1998. In support of its agenda for "connecting Canadians", it has also undertaken to become a model user of the information highway by 2000.
- 19.2 The audit focussed on the government's use of the Internet for internal and external purposes. We concluded that progress is being made in all three areas we examined, areas that are fundamental to support electronic commerce:
 - the government's public key infrastructure project as a measure for secure electronic commerce;
 - the legal framework to support conducting business electronically; and
 - common technology infrastructures for interoperability and seamless access to information and services across departments and agencies.
- 19.3 Nevertheless, we noted several key risks that could undermine the government's public key infrastructure project. Progress in designing business processes to make use of the Internet and developing the related computer applications is lagging behind the progress of the infrastructure project. Further, the need to certify the public, a necessary element in delivering services externally, has yet to be addressed.
- 19.4 A "paper bias" has been identified in the language of federal statutes and steps have been taken to resolve it. Further action is needed to manage the government's potential legal liability in its use of electronic commerce.
- 19.5 A senior sponsor is needed to advance electronic commerce in government. Many issues remain to be resolved before adequate common infrastructures exist to support the delivery of services across multiple departments and agencies.
- 19.6 If the government does not address on a timely basis the identified risks and areas requiring action, its objective of making electronic commerce its preferred way of doing business may not be fully realized and its goal of becoming a model user of the information highway by 2000 may also be in jeopardy.



Preparedness for Year 2000

Government-Wide Mission-Critical Systems

Chapter 20 – Main Points

- 20.1 The Year 2000 problem was caused by the past programming practice of coding the year with two digits rather than four. On 1 January 2000, certain computer applications and devices could fail or malfunction. In 1997, we reported that the government's rate of progress in preparing for Year 2000 had generally been slow; if it were to continue at the same rate, government systems probably would not be ready in time.
- 20.2 In 1998, we audited some key computer systems and devices that support six mission-critical functions in government. The functions were inspection services to contribute to food safety; emergency assistance and support; income security services; First Nations transfer payments and trust funds; border crossing services for commercial goods; and law enforcement services. We concluded that as of 30 June 1998, several key systems supporting three of those functions remained at risk of not becoming fully compliant before 2000.
- 20.3 We observed that the government has accelerated the pace of its efforts since our 1997 audit and has made progress in various areas, including:
 - ranking Year 2000 as a top priority;
 - monitoring government-wide progress of systems and devices that support mission-critical functions in government;
 - advancing certain common horizontal initiatives; and
 - engaging the concern of ministers and advising them of the urgency of Year 2000 efforts.
- 20.4 However, our review of the 30 June 1998 survey results summarized by the Treasury Board Secretariat showed "good" progress in only four departments, accounting for 7 out of 48 government-wide mission-critical functions. Nine departments and agencies responsible for 18 mission-critical functions had a score of 50 percent or less for completion of the work needed to make the systems supporting the functions compliant.
- 20.5 We concluded that as of June 1998, various government systems supporting mission-critical functions remained at risk. With 18 months left, we are very concerned that some essential government services may be interrupted at the start of 2000.
- 20.6 To ensure that mission-critical functions will continue, we recommend that the focus on Year 2000 be sustained, that the Treasury Board Secretariat consider strategic intervention as appropriate, and that contingency plans be prepared and tested for those systems that remain at risk. We also recommend that further action be taken to advance common horizontal initiatives and that reporting of Year 2000 information to Parliament be improved.



Canadian International Development Agency

Geographic Programs

Chapter 21 - Main Points

- 21.1 In our 1993 Report, we raised a number of concerns about the performance of CIDA's Bilateral Programs. Our 1995 and 1996 Reports contained a description of CIDA's actions to implement an ambitious program of change and renewal. In this chapter we report on the extent to which CIDA has resolved the main concerns we raised in 1993.
- 21.2 CIDA has adopted the concept of results-based management to change the Agency into a more results-oriented and learning organization. Progress is evident. CIDA has introduced a Results-Based Management Policy Statement, and supporting policies and guidelines have been developed and communicated to staff. It has established a Framework of Results and Key Success Factors as a guide for its managers and partners to focus more on results as they manage projects. However, progress in applying the principles of results-based management to CIDA contracts has been slow.
- 21.3 CIDA is in the process of developing, reviewing and updating Regional/Country Development Policy Frameworks for all major countries and regions. Some of the more recently developed Frameworks state objectives and expected results. However, the expected results are not compared with actual results, one of the key means of assessing performance.
- 21.4 At the project level, where official development assistance (ODA) is actually delivered, we found a greater emphasis on results, but uneven progress toward actually managing for results. Critical assumptions for project success and expected results have been articulated and a system of annual progress reporting implemented, but the statements of expected results are not always realistic. Further, once critical risks have been identified and assessed, they are not consistently monitored and addressed. This calls into question whether the expected benefits of projects will be realized. Projects are not systematically monitored after funding ends to determine whether the results expected have been achieved.
- 21.5 CIDA prepares internal reports on performance, reflecting its increased ability to assess and report systematically on its performance. It also submits an annual Performance Report to Parliament; this would be improved if CIDA showed progress toward results for individual projects in the context of the results expected. In reviewing the Performance Report, we concluded that more rigour is needed to ensure that information is clear, meaningful, and accurate. The delivery of ODA in a great many countries and under uncertain political and economic conditions is a very complex and challenging undertaking, one that results in varying degrees of success. We believe it is important that CIDA bring out this dimension in its reporting; a more balanced picture would enhance the credibility of its reports.
- 21.6 We concluded that CIDA's actions have addressed the main concerns raised in 1993. The Agency now needs to keep up its momentum in implementing management for results. It has much of the supporting framework in place. To close the accountability loop, it needs to continue working on the measurement and reporting of development results.



The Federal Science and Technology Strategy

A Review of Progress

Chapter 22 - Main Points

- 22.1 It has been nearly three years since the government released *Science and Technology for the New Century* A Federal Strategy. The Strategy outlined three goals to which science and technology (S&T) resources were to be directed. It recognized the need for better management of S&T activities and provided a set of principles to improve their management in departments and agencies.
- 22.2 In this follow-up to our 1994 audit of the federal S&T effort, we found that progress in establishing the elements required to improve its management has, overall, been slow. The government has not acted fully on some of the commitments it made in the Strategy. As a result, the management regime set up to oversee the federal S&T effort is not yet working as intended by the government that is, ensuring that priorities are clear, that activities are co-ordinated, and that performance is reported on fully.
- 22.3 In the departments we examined, progress in acting on the Strategy's seven operating principles has varied considerably. However, even the less advanced departments have moved in the direction desired by the government. More remains to be done, and our follow-up identified three areas that require special attention: mission-driven, results-based research; scientific excellence; and the use of partnerships.
- 22.4 Some results of the Strategy are now emerging, and we believe it may be time for the government to clearly set out what remains to be done what is next on the agenda. Along with sufficient leadership and ongoing parliamentary oversight, this would help to ensure that the current Strategy does not become, like similar efforts over the last 30 years, one more missed opportunity.



Veterans Affairs Canada

Disability Pensions

Chapter 23 - Main Points

- 23.1 The disability pension program has annual expenditures of about \$1.1 billion, making it the largest program of Veterans Affairs Canada. Disability pensions are paid to approximately 151,500 recipients 68,000 veterans, 25,500 former or current peacetime members of the Canadian Forces and 58,000 survivors.
- 23.2 In September 1995, pension reform legislation came into effect. The legislation resulted in fundamental changes in responsibilities for the disability pension program. The Department took on new roles in providing assistance and counselling to disability pension applicants and in adjudicating first decisions for pension claims. The Veterans Review and Appeal Board was formed at that time to hear reviews and appeals of decisions.
- 23.3 The main focus of the disability pension program since pension reform has been on reducing the time it takes to make pension decisions. Veterans Affairs Canada and the Veterans Review and Appeal Board have exceeded their targets for reducing turnaround times for disability pension decisions.
- 23.4 The quality and consistency of the services provided in the preparation of first applications could be improved through greater use of standardized guidance materials and training for all those involved in the preparation of first applications. The table of disabilities, which is used in determining the nature and extent of disability for pension purposes, provides limited guidance for assessing the extent of some disabilities. To ensure consistent and high-quality disability pension decisions, the Department needs to improve its guidance materials that facilitate entitlement and assessment adjudications.
- 23.5 Veterans Affairs Canada does not provide reasons for assessment decisions. There is a need for the Department and the Veterans Review and Appeal Board to regularly analyze the reasons for overturned pension decisions.
- 23.6 Veterans Affairs Canada is not fully utilizing the departmental review process. This process was put in place by pension reform legislation and allows certain initial decisions to be reviewed more efficiently and in less time than a formal review request to the Veterans Review and Appeal Board.
- 23.7 Within the next 10 years, the mix of disability pensioners will change considerably, with a significant increase in the number of former or current peacetime members of the Canadian Forces. The Department needs to inform Parliament of the changes in its client base and the strategy for addressing those changes.
- 23.8 Veterans Affairs Canada has assigned a high priority to its Year 2000 projects. It has a plan and schedule that is expected to achieve Year 2000 compliance for its mission-critical systems by the end of 1998. However, the Department is also dependent on other systems for information, and disruption of those systems could affect the delivery of the disability pension program.



Revenue Canada

International Tax Directorate Human Resource Management

Chapter 24 - Main Points

- 24.1 Revenue Canada's International Tax Directorate was established in November 1991. It is the focal point for all international tax issues (except legislative issues), with a view to enabling Revenue Canada to respond to them in a consistent and timely way.
- 24.2 A recent report of the Technical Committee on Business Taxation noted the following:
 - In 1993, taxpayers reported to Revenue Canada \$248 billion in related-party cross-border transactions, \$166 billion of which were between related parties in Canada and the United States.
 - In 1995, foreign direct investment into Canada was approximately \$170 billion, or 20 percent of assets held by Canadian businesses; and outbound foreign direct investment by Canadians was about \$140 billion, or 18 percent of total assets held by Canadian businesses.
 - Even relatively small shifts in income allocated to Canada from related-party transactions have the potential to cause a significant change in the domestic revenue base.
- 24.3 In this complex and growing field, the Directorate requires staff who are highly skilled and who understand Canadian tax laws and tax laws in other jurisdictions.
- 24.4 Weaknesses in human resource management in the Directorate, coupled with the often cumbersome human resource management rules in the public service, have resulted in long delays in the competition process for staffing positions and in finalizing appointments. Skilled candidates for international tax positions at senior levels are rare, and are in demand in the private sector. Good candidates may lose interest if they have to wait long periods before being offered a position.
- 24.5 Currently, key positions in the Directorate including positions of leadership are filled by using secondments, redeployments and acting assignments. We are concerned that this approach to staffing may result in a lack of continuity and stability and may pose a risk to both the quality of work performed and the Directorate's ability to fully realize potential revenues and protect Canada's tax base.
- 24.6 Despite having recognized since 1994 the urgent need for a human resource plan, the Directorate is still developing a comprehensive human resource plan and strategies linked to its business plan. During September and October 1998 it initiated a number of actions that, upon completion, it expects will address certain identified problems.
- Existing human resource and performance data bases need to be enhanced and better used to provide managers with information needed for human resource planning.
- 24.8 If Parliament approves the establishment of the proposed new Canada Customs and Revenue Agency, the Department will become a separate employer and assume most of the responsibility for human resource management. In the absence of a comprehensive human resource plan and strategies linked to the Directorate's business plan, the establishment of the new agency will not in itself resolve the problems outlined in this chapter. It is important that the analysis, planning and implementation of needed human resource initiatives be carried out as soon as possible to ensure that the Directorate can appropriately manage the risks to Canada's tax base that are inherent in international transactions.



Transport Canada

Investments in Highways

Chapter 25 - Main Points

- 25.1 During the last 10 years, Transport Canada has spent about \$1.6 billion on provincial and territorial highways. At the time of our audit, it was involved in 24 multi-year cost-sharing agreements with provinces and territories under the Department's various highway investment programs. Over the last five years, annual total expenditures under these programs have averaged more than \$200 million.
- 25.2 Each agreement under the highway investment programs is administered by a committee of one federal and one provincial official. Transport Canada has provided little or no support to guide and facilitate the work of the four departmental employees who represent the federal interest on these committees.
- 25.3 Our analysis of Transport Canada's performance in managing and administering its highway investment programs revealed a number of significant weaknesses. The programs themselves have been managed and administered more like grant programs than the contribution programs they are (the latter require that funding be conditional on performance and on compliance with provisions of an applicable agreement). We noted the lack of a number of sound financial management practices. We also found deficiencies in the information supplied to decision makers in support of proposed new programs. In particular, information on the condition of roads was not properly disclosed; potential environmental impacts of proposed highway programs at the strategic decision-making level were not assessed, as is required; and alternative financing arrangements by provinces were not identified, nor were their implications for traditional cost-sharing arrangements evaluated.
- **25.4** Further, because its environmental screening and monitoring of projects lacked rigour and were poorly documented, we could not conclude whether Transport Canada had met its statutory environmental responsibilities when assessing (screening) individual projects. Moreover, we found a number of cases in which, contrary to statutory requirements, payments had been made before environmental screenings were completed.
- 25.5 Despite the hundreds of millions of dollars it has spent on highway investments over the past 10 years, Transport Canada has yet to conduct a program evaluation of its highway investment programs. Accountability reporting to Parliament needs to be strengthened.
- 25.6 Transport Canada is at a crossroads. There has been some pressure by the provinces for the federal government to renew or confirm its position on highway investments. The Minister of Transport has said that the existing national highway policy needs to be updated. Transport Canada needs to re-examine the National Highway Transportation Policy and make recommendations to the government as appropriate.



Contracting for Professional Services

Selected Sole-Source Contracts

Chapter 26 - Main Points

- 26.1 To ensure that the principles of best value and open access are followed in contracting for goods and services, the government's contracting regulations require that contracts valued at more than \$25,000 be let, except in very limited circumstances, through a competitive, open tendering process. Recent work by our Office as well as a report by the Standing Committee on Government Operations show that departments use sole-source contracts extensively. This is a matter of considerable concern because sole-sourcing works against the principle of open access and puts the achievement of best value at risk. The total value of sole-source service contracts awarded in 1995 was about \$1.4 billion.
- 26.2 We audited a sample from five departments of 26 sole-source contracts for professional services. We selected this type of contract because previous work had led us to believe that it was a high-risk area. Most of the contracts in our sample would not, in our view, stand the test of public scrutiny. Nor do they reflect open access to contracting opportunities with the federal government. The total initial value of these contracts was \$16 million.
- 26.3 In our sample of contracts we found many instances in which needs analyses, definition of requirements and procurement planning had been inadequate. Departments often underestimate the nature and scope of the work required, and do not always clearly specify what contractors are to deliver. We could find little evidence of contract management: it often appears that the contractors determine what is required, how much effort it will take and at what point the job will be considered completed.
- 26.4 The justifications for over two thirds of the sole-source contracts we audited did not conform to the exceptions allowed by the Government Contracts Regulations and as defined in the Treasury Board Secretariat's Contracting Policy. This practice results in too many "one-horse races".
- 26.5 Departments issue many oral contracts that remain unsigned for long periods of time. Treasury Board states that the terms and conditions of any contract issued should be in writing and should be signed as soon as possible after the contract is awarded.
- 26.6 In several cases departments were not able to demonstrate that their managers had, as required by the Treasury Board Secretariat's Contracting Policy, documented and assessed the extent to which contractors had fulfilled the contract terms. In the absence of appropriate certification and documentation of what the contractors delivered, neither we nor management can be assured that due regard to economy was shown in the letting of those contracts.
- 26.7 In most of the contracts we examined, government regulations were not followed. Clearly, we are concerned about this. In 1997, we examined the contracting process and concluded that the current regime that governs contracting was itself sound. Similarly, the Standing Committee on Government Operations examined the contracting process and concluded that the rules were sound. The problem we found is that departments disregard the rules that apply to sole-sourcing. Moreover, disregarding them appears to involve no significant consequences for either the managers responsible or their departments. (This was the first in a series of contracting compliance audits planned by the Office.)



Grants and Contributions

Selected Programs in Industry Canada and Department of Canadian Heritage

Chapter 27 – Main Points

- **27.1** The Office of the Auditor General considers the proper management of grants and contributions to be an important part of good public administration within the federal government. Accordingly, the chapter presents:
 - an overview of the use of grants and contributions by departments;
 - highlights of the Office's observations over the past 21 years on the value for money in grant and contribution programs;
 - a performance management framework that we are developing for grant and contribution programs;
 and
 - the results of an audit, using aspects of this framework, of selected grant and contribution programs in Industry Canada and Canadian Heritage.
- 27.2 Our audits of the management of grant and contribution programs over the past 21 years have produced a long series of consistent observations: problems in compliance with program authorities, weaknesses in program design, instances of poor controls, and insufficient performance measurement and reporting. Overall we have continued to find the same problems. There are many reasons why these problems have persisted. They range from decision-makers not following the rules governing expenditures on grants and contributions to weak management practices. To address this latter problem, our Office is developing a performance management framework.
- 27.3 We found that there are significant opportunities to improve the management of the programs we audited:
 - For the Ontario Base Closure Adjustment Program delivered by Industry Canada, there was little evidence that the Department exercised due diligence in approving funding for many projects.
 - We had similar concerns about Canadian Heritage's Multiculturalism Program. In about one third of
 the projects we audited, there was little evidence that the Department had exercised due diligence in
 approving funding. We are also concerned that the Program's performance expectations are
 ambiguous; clarification is needed to avoid duplicating the efforts of other departments and of
 provincial governments.
- 27.4 We also examined indirect delivery arrangements where a department contributes funds to an external organization that, in turn, distributes funding to the intended recipients. These arrangements require special accountability measures since departmental managers cannot rely on direct supervision and adjustment to achieve expected results. We found that Industry Canada could strengthen accountability for performance under its contribution agreements with CANARIE Inc. (Canadian Network for the Advancement of Research, Industry and Education) and PRECARN Associates Inc. (Pre-Competitive Advanced Research Network).



Follow-up of Recommendations in Previous Reports

Chapter 28 - Main Points

- 28.1 The amount of progress toward meeting the recommendations of previous audits covers a broad spectrum. In some cases, all significant recommendations have been addressed. In other cases, there is little or no evidence of corrective action being taken. Most cases fall somewhere between these extremes.
- **28.2** The following significant areas of concern remain:
 - Health Canada is not in a position to effectively co-ordinate and respond to a major nuclear accident affecting Canada.
 - It is not clear whether the Code of Environmental Stewardship is still in place for those agencies not required to produce a sustainable development strategy and there is also a need to involve Crown corporations in the government's greening efforts.
 - We observed that adequate strategic reconnaissance is still not being conducted prior to deployment of all peacekeeping missions.
 - Awareness of the potential risks to health, safety and the environment from federal contaminated sites, and the government's lack of a comprehensive plan to manage its risks and associated costs is still an issue.
 - Information systems under development remain a concern due to their significance, in terms of the size of the investments and their impact on operations, and continuing delays in the planned implementation dates for certain systems.

28.3 There are also successes to report:

- Since our audit in 1996, materiel management has decreased reported inventories in four departments by more than \$480 million.
- Progress has been made in improving the quality of internal audit management.
- Revenue Canada has taken steps to ensure that excise taxes and duties on selected commodities are correctly assessed, collected and reported.
- Progress has been made in strengthening the control and accountability of the Canadian intelligence community.
- We are encouraged by the amount of progress reported, and urge departments and agencies to continue their efforts in addressing our concerns until all significant matters have been resolved through corrective action.



Other Audit Observations

Chapter 29 - Main Points

- 29.1 The *Auditor General Act* requires the Auditor General to include in his Reports matters of significance that, in his opinion, should be brought to the attention of the House of Commons.
- 29.2 The "Other Audit Observations" chapter fulfils a special role in the Reports. Other chapters normally describe the findings of the comprehensive audits we perform in particular departments; or they report on audits and studies of issues that relate to operations of the government as a whole. This chapter reports on specific matters that have come to our attention during our financial and compliance audits of the Public Accounts of Canada, Crown corporations and other entities, or during our value-for-money audits.
- 29.3 The chapter normally contains observations concerning departmental expenditures and/or revenues. The issues addressed generally involve failure to comply with authorities, and the expenditure of money without due regard to economy.
- **29.4** Observations reported this year cover the following:
 - ongoing issues between Atomic Energy of Canada Limited and the government that need to be resolved:
 - transparency and the government's Annual Financial Report;
 - concerns about poor control over computers loaned to employees for home use;
 - the urgent need for an updated long-term comprehensive plan to restore and renovate the Parliamentary Precinct; and
 - fairness in the Canadian income tax system.
- 29.5 Although the individual audit observations report matters of significance, they should not be used as a basis for drawing conclusions about matters we did not examine.



Report of the Auditor General of Canada to the House of Commons – 1998 Table of Contents

Volume 1 – April 1998

Chapter

	Foreword and Main Points
1	Expenditure and Work Force Reductions in the Public Service
2	Expenditure and Work Force Reductions in Selected Departments
3	National Defence – Equipping and Modernizing the Canadian Forces
4	National Defence - Buying Major Capital Equipment
5	Revenue Canada, Department of Finance and Department of Justice – Interdepartmental Administration of the Income Tax System
6	Population Aging and Information for Parliament: Understanding the Choices
7	Federal Laboratories for Human and Animal Health Building Project
8	Department of Finance – Effectiveness Measurement and Reporting
9	Reporting Government Financial Results: The Importance of Complying with Objective Accounting Standards

Volume 2 – September 1998

Chapter

	Foreword and Main Points
10	Canadian Human Rights Commission Human Rights Tribunal Panel
11	Agriculture and Agri-Food Canada – Cash Advance Program
12	Creation of the Canadian Food Inspection Agency
13	National Energy Board
14	Indian and Northern Affairs Canada - Comprehensive Land Claims
15	Promoting Integrity in Revenue Canada
16	Management of the Social Insurance Number
17	Patented Medicine Prices Review Board
18	The Financial Information Strategy: A Key Ingredient in Getting Government Right

Report of the Auditor General of Canada to the House of Commons – 1998 Table of Contents (cont'd)

Volume 3 – December 1998

Chapter

	Matters of Special Importance – 1998 Foreword and Main Points		
19	Electronic Commerce: Conducting Government Business via the Internet		
20	Preparedness for Year 2000: Government-Wide Mission-Critical Systems		
21	Canadian International Development Agency – Geographic Programs		
22	The Federal Science and Technology Strategy: A Review of Progress		
23	Veterans Affairs Canada – Disability Pensions		
24	Revenue Canada – International Tax Directorate: Human Resource Management		
25	Transport Canada – Investments in Highways		
26	Contracting for Professional Services: Selected Sole-Source Contracts		
27	Grants and Contributions: Selected Programs in Industry Canada and Department of Canadian Heritage		
28 29	Other Observations and Appendices Follow-up of Recommendations in Previous Reports Other Audit Observations		

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Rapport du Verilleateur général du Canada à la Chambre des communes – 1998 Table des matières (suite)

Volume 3 – Décembre 1998

Chapitre

67	Autres observations de vérification
78	Autres observations et Annexes Suivi des recommandations formulées dans des rapports antérieurs
	et du ministère du Patrimoine canadien
LZ	Les subventions et les contributions : certains programmes d'Industrie Canada
	à fournisseur unique
97	La passation des marchés de services professionnels: certains contrats
52	Transports Canada – Les investissements dans les routes
	ressources humaines
77	Revenu Canada - Direction de l'impôt international : la gestion des
23	Anciens Combattants Canada - Les pensions d'invalidité
77	La Stratégie fédérale en matière de sciences et de technologie : suivi des progrès
17	Agence canadienne de développement international – Les programmes géographiques
	l'administration fédérale
50	La préparation à l'an 2000 : les systèmes essentiels à la mission de
61	Le commerce électronique : la conduite des affaires du gouvernement par Internet
	Avant-propos et Points saillants
	Questions d'une importance particulière – 1998
2 midni	

Rapport du vérificateur général du Canada à la Chambre des communes – 1998

Table des matières

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eniqual)

	respecter des normes comptables objectives
6	La présentation des résultats financiers du gouvernement : l'importance de
8	Ministère des Finances - Mesurer l'efficacité et en rendre compte
L	Le projet de construction d'un complexe de laboratoires fédéraux de santé humaine et animale
	comprendre les choix
9	Le vieillissement de la population et l'information destinée au Parlement : pour
	interministérielle du régime d'impôt sur le revenu
ς	Revenu Canada, ministère des Finances et ministère de la Justice – L'administration
au	Défense nationale – Grands projets d'acquisition de biens d'équipement
3	Défense nationale - Équiper et moderniser les Forces canadiennes
7	Les réductions des dépenses et des effectifs dans certains ministères
I	Les réductions des dépenses et des effectifs au sein de la fonction publique
	Avant-propos et Points saillants

Volume 2 – Septembre 1998

antiqued.)

le rôle de l'État	
La Stratégie d'information financière: un outil essentiel pour repenser	18
Conseil d'examen du prix des médicaments brevetés	LI
La gestion du numéro d'assurance sociale	91
Revenu Canada – Promouvoir l'intégrité au sein du Ministère	12
Affaires indiennes et du Nord Canada – Les revendications territoriales globales	14
Office national de l'énergie	13
La création de l'Agence canadienne d'inspection des aliments	12
Agriculture et Agroalimentaire Canada – Le programme des avances en espèces	11
Comité du tribunal des droits de la personne	
Commission canadienne des droits de la personne	10
Avant-propos et Points saillants	



Autres observations de vérification



Chapitre 29 – Points saillants

- 29.1 La Loi sur le vérificateur général exige du vérificateur général qu'il inclue dans ses rapports les questions d'importance qui, à son avis, devraient être portées à l'attention de la Chambre des communes.
- D'autres chapitres décrivent habituellement les constatations faites lors des vérifications intégrées que nous avons effectuées dans des ministères particuliers, ou bien ils donnent un compte rendu de vérifications et d'études qui portent sur des questions relatives aux activités du gouvernement dans son ensemble. Dans ce chapitre, nous faisons rapport sur des questions précises dont nous avons pris connaissance au cours de nos vérifications francières et de nos vérifications de conformité aux autorisations des Comptes du Canada, des états financiers des fociétés d'État et d'autres entités ou au cours de nos vérifications des ressources.
- 29.3 Le chapitre renferme habituellement des observations qui se rapportent aux dépenses ou aux recettes des ministères. En général, les questions traitées portent sur la non-conformité aux autorisations ainsi que sur les dépenses de deniers sans souci de l'économie.
- 29.4 Cette année, nos observations portent sur les sujets suivants :
- les questions qu'Energie atomique du Canada limitée et le gouvernement du Canada n'ont pas encore réglées doivent l'être;
- Is transparence et le Rapport financier annuel du gouvernement;
- maison:

 maison:
- le besoin urgent de se doter d'un plan global à long terme et à jour pour restaurer et rénover la Cité parlementaire;
- l'équité du régime fiscal canadien.
- 29.5 Même si les observations de vérification particulières signalent des questions importantes, le lecteur ne doit pas s'en servir pour tirer des conclusions sur des points que nous n'avons pas examinés.

Suivi des recommandations formulées dans des rapports antérieurs



Chapitre 28 – Points saillants

- 28.1 Les progrès réalisés à l'égard des recommandations formulées dans les vérifications antérieures sont des plus variés. Dans certains cas, des mesures sont en cours pour donner suite à toutes les recommandations importantes. Dans d'autres cas, nous constatons que peu de mesures correctives sont prises ou qu'on n'en prend aucune. La plupart des cas se situent entre ces deux extrêmes.
- 28.2 Voici les secteurs importants qui continuent de nous préoccuper :
- Santé Canada n'est pas en mesure d'assurer une coordination adéquate des activités ni d'intervenir efficacement si un accident nucléaire grave se produit.
- On ne sait pas si le Code de gérance de l'environnement est toujours en vigueur pour les organismes qui ne sont pas tenus de produire une stratégie de développement durable, et il est encore nécessaire de faire participer les sociétés d'État aux efforts d'écologisation du gouvernement.
- Nous avons observé qu'une reconnaissance stratégique adéquate n'est pas toujours effectuée avant le déploiement des missions de maintien de la paix.
- La sensibilisation aux risques potentiels pour la santé, la sécurité et l'environnement que posent les sites contaminés fédéraux et l'absence d'un plan gouvernemental détaillé pour gérer ces risques et les coûts connexes continuent de poser un problème.
- Les systèmes d'information en développement demeurent une source de préoccupations en raison de leur importance, qu'il s'agisse de l'ampleur des investissements ou de leur incidence sur les opérations, et en raison également des retards continus de la mise en oeuvre de certains systèmes.
- 78.3 Nous avons aussi des succès à signaler:
- Depuis notre vérification de 1996, la gestion du matériel a fait baisser de plus de 480 millions de dollars les stocks déclarés dans quatre ministères.
- La qualité de la gestion de la vérification interne s'est améliorée.
- Revenu Canada a pris des mesures pour s'assurer que les taxes et les droits d'accise sur les marchandises choisies sont correctement établis, perçus et déclarés.
- Des progrès ont été accomplis pour renforcer le contrôle et la responsabilisation de la communauté canadienne du renseignement.
- Nous sommes encouragés par les progrès obtenus et nous recommandons fortement aux ministères et aux organismes de poursuivre leurs efforts pour donner suite à nos recommandations au moyen de mesures correctives jusqu'à ce que toutes les questions importantes aient été résolues.

Chapitre 27 - Points saillants (suite)

Vous avons aussi examiné des accords d'exécution indirecte dans le cadre desquels un ministère fournit des fonds à une organisation de l'extérieur qui, à son tour, les verse aux destinataires désignés. Ces accords exigent des mesures spéciales de reddition de comptes puisque les gestionnaires ministériels ne peuvent exercer une supervision directe et apporter les correctifs qui s'imposent pour obtenir les résultats escomptés. Nous avons constaté qu'Industrie Canada pourrait tenforcer l'obligation de rendre compte du rendement dans le cadre de ses accords de contribution avec CANARIE Inc. (Réseau canadien pour l'avancement de la recherche, de l'industrie et de l'enseignement) et PRECARM Associates Inc. (Réseau de recherche appliquée préconcurrentielle).

Les subventions et les contributions

Certains programmes d'Industrie Canada et du ministère du Patrimoine canadien



Chapitre 27 - Points saillants

27.1 Pour le Bureau du vérificateur général, une bonne gestion des subventions et des contributions constitue un élément important d'une saine administration publique au gouvernement fédéral. En conséquence, le chapitre présente :

- un aperçu de l'utilisation des subventions et des contributions par les ministères;
- des extraits des observations formulées par le Bureau au cours des 21 dernières années au sujet de l'optimisation des ressources dans le cadre des programmes de subventions et de contributions;
- un cadre de gestion du rendement que nous sommes en train d'élaborer pour les programmes de subventions et de contributions;
- les résultats d'une vérification, pour laquelle ont été utilisés certains éléments de ce cadre, portant sur une sélection de programmes de subventions et de contributions d'Industrie Canada et de Patrimoine canadien.
- Nos vérifications de la gestion des programmes de subventions et de contributions au cours des confrontières années nous ont amenés à formuler à de nombreuses reprises les mêmes observations : problèmes de conformité aux autorisations de programme, lacunes dans la conception des programmes, faiblesses au niveau des contrôles, et mesure et communication insuffisantes au chapitre du rendement. Dans l'ensemble, nous avons contrôles, et mesure et communication insuffisantes au chapitre du rendement. Dans l'ensemble, nous avons non-respect par les décideurs des règles régissant les dépenses liées aux subventions et aux contributions, aux piètres pratiques de gestion. Pour régler régissant les dépenses liées aux subventions et aux contributions, aux gestion du rendement.
- 4.53 Nous avons vérifiés :

 Nous avons vérifiés :
- Dans le cas du Programme d'adaptation aux fermetures de bases de l'Ontario exécuté par Industrie
 Canada, nous n'avons trouvé que peu d'éléments pouvant indiquer que le Ministère avait fait preuve
 d'une diligence raisonnable dans l'approbation du financement de bon nombre de projets.
- Nous formulons les mêmes réserves à l'égard du Programme du multiculturalisme du ministère du Patrimoine canadien. Pour le tiers environ des projets sur lesquels notre vérification a porté, il y a peu d'éléments démontrant que le Ministère a fait preuve d'une diligence raisonnable dans l'approbation des fonds. Nous craignons également que les attentes au sujet du rendement du Programme soient ambiguës; des éclaireissements sont nécessaires pour éviter le dédoublement des efforts déployés par d'autres ministères et par les gouvemements provinciaux.

Chapitre 26 - Points saillants (suite)

Dans la plupart des marchés que nous avons examinés, les règlements de l'État n'ont pas été suivis. Évidemment, il s'agit là pour nous d'un sujet de préoccupation. En 1997, nous avons examiné le processus d'adjudication des marchés et nous avons conclu que les modalités actuelles pour régir les contrats étaient saines en elles-mêmes. De même, le Comité permanent des opérations gouvernementales a examiné le processus de passation des marchés et a conclu que les règles étaient judicieuses. Le problème que nous avons constaté est le suivant : les ministères passent outre aux règles qui régissent le recours à un fournisseur unique. Qui plus est, ces infractions ne semblent entraîner aucune conséquence importante pour les gestionnaires responsables, ni pour présente leurs ministères. (La présente vérification est la première d'une série, prévue par le Bureau du vérificateur général du Canada, sur la conformité de la passation des marchés.)

La passation des marchés de services professionnels





Chapitre 26 - Points saillants

Passation des marchés de biens et de services, les règlements de l'État sur l'adjudication des marchés exigent que les marchés de biens et de services, les règlements de l'État sur l'adjudication des marchés exigent que les marchés dont la valeur dépasse 25 000 \$ soient octroyés au moyen d'un processus concurrentiel d'appel d'offres ouvert, sauf dans des circonstances très limitées. Des études menées récemment par notre bureau, de même qu'un rapport produit par le Comité permanent des opérations gouvernementales, révèlent que les ministères ont largement recours à des contraits à fournisseur unique. Cela est très inquiétant parce que le recours à un fournisseur unique est contraire au principe d'accès libre et risque de compromettre l'obtention de la valeur poprimale. La valeur totale des contraits de services à fournisseur unique attribués en 1995 était d'environ 1,4 milliard de dollars.

Mous avons vérifié un échantillon de 26 contrats à fournisseur unique attribués par cinq ministères pour des services professionnels. Nous avons choisi ce genre de contrat parce que des études antérieures nous avaient portés à croire qu'il s'agissait d'un secteur à risque élevé. La plupart des contrats figurant dans notre échantillon ne résisteraient pas, selon nous, à l'examen public. Ils ne témoignent pas non plus d'un respect du principe de liberté d'accès aux possibilités de passation de marchés avec le gouvernement fédéral. La valeur initiale totale de ces contrats atteignait 16 millions de dollars.

26.3 Dans notre échantillon de contrats, nous avons trouvé bon nombre de cas où les analyses des besoins, la définition des exigences et la planification de l'acquisition avaient été inadéquates. Les ministères sous-estiment souvent la nature et la portée des travaux requis, et ils ne précisent pas toujours ce que les entrepreneurs doivent réaliser. Nous avons trouvé peu de preuves de gestion des contrats : il semble que ce soit souvent les entrepreneurs qui déterminent le travail à faire, l'ampleur des efforts à déployer et le point auquel le travail sera considéré comme terminé.

26.4 Les justifications de plus des deux tiers des contrats à fournisseur unique que nous avons vérifiés n'étaient ni conformes aux exceptions permises par le Règlement sur les marchés de l'État, ni définies dans la Politique sur les marchés du Secrétarial du Conseil du Trésor. Cette pratique donne lieu à un trop grand nombre de « courses à un seul participant ».

26.5Les ministères octroient de nombreux contrats verbaux qui demeurent longtemps sans confirmation écrite. Le Conseil du Trésor exige que les modalités de tout contrat soient consignées et que le contrat soit signé dès que possible après l'adjudication.

26.6 Dans plusieurs cas, les ministères n'ont pas pu démontrer que leurs gestionnaires avaient, comme l'exige la Politique sur les marchés du Secrétariat du Conseil du Trésor, noté et évalué la mesure dans laquelle les entrepreneurs avaient respecté les modalités du marché. En l'absence d'une attestation et d'une documentation appropriées sur les travaux exécutés par les entrepreneurs, la direction des ministères et nous n'avons aucune assurance que ces marchés ont été attribués avec souci d'économie.

Transports Canada Les investissements dans les routes



Chapitre 25 – Points saillants

Au cours des dix dernières années, Transports Canada a consacré environ 1,6 milliard de dollars à des travaux sur les routes provinciales et territoriales. Au moment de notre vérification, le Ministère participait à 24 ententes pluriannuelles de partage des coûts établies avec les provinces et les territoires dans le cadre de ses divers programmes d'investissement dans les routes. Au cours des cinq dernières années, les dépenses annuelles divers programmes ont atteint en moyenne plus de 200 millions de dollars.

25.2 L'administration de chacune des ententes établies dans le cadre des programmes d'investissement dans les routes relève d'un comité formé d'un fonctionnaire fédéral et d'un fonctionnaire provincial. Les quatre employés ministériels qui représentent les intérêts du gouvernement fédéral au sein de ces comités ont reçu peu de comployés ministériels qui représentent les intérêts du gouvernement fédéral au sein de ces comités ont reçu peu de soutien de la part de Transports Canada pour orienter et faciliter leur travail, ou n'en ont pas reçu du tout.

Lorsque nous avons analysé le rendement de Transports Canada en matière de gestion et d'administration de ses programmes d'investissement dans les routes, nous avons décelé un certain nombre de lacunes importantes. Le Ministère gère et administre ceux-ci comme s'il s'agissait de programmes de subventions plutôt qu'en fonction de ce qu'ils sont en réalité, à savoir des programmes de contributions (ces derniers exigent que l'aide financière soit fonction du rendement et du respect des dispositions de l'entente pertinente). Nous avons constaté l'absence de plusieurs pratiques liées à une saine gestion financière. Nous avons en outre relevé des lacunes en ce qui a trait à l'information communiquée aux décideurs à l'appui des nouveaux programmes proposés. Notamment, l'information relative à l'état des routes n'a pas été communiquée correctement; le Ministère n'a pas évalué, au l'information relative à l'état des routes n'a pas été communiquée correctement; le Ministère n'a pas évalué, au priveau de décision stratégique, les répercussions environnementales prostammes proposés concernant les routes, alors qu'il était tenu de le faire. Il n'a en outre signalé aucun des mécanismes de financement de rechange utilisés par les provinces ni évalué les répercussions de ceux-ci sur les ententes usuelles relatives au partage des coûts.

De plus, comme les examens préalables et la surveillance sur les questions environnementales des projets manquaient de rigueur et étaient peu documentés, nous ne pouvions pas conclure que Transports Canada s'était acquitté de ses responsabilités environnementales législatives lors de l'évaluation (examen préalable) de chacun des projets. Qui plus est, nous avons constaté que dans bon nombre de cas, contrairement aux exigences de la loi, les paiements avaient été faits avant que les examens préalables environnementaux n'aient été achevés.

25.5. En dépit des centaines de millions de dollars que Transports Canada a investis dans les routes au cours des dix dernières années, il n'a encore effectué aucune évaluation de ses programmes d'investissement dans ce domaine. La reddition de comptes au Parlement doit être améliorée.

Transports Canada est à une croisée de chemins. Les provinces pressent le gouvernement fédéral de renouveler ou de confirmer sa position sur les investissements dans les routes. Le ministre des Transports affirme qu'il faut mettre à jour la politique nationale actuellement en vigueur concernant les routes. Transports Canada doit réexaminer la politique nationale des transports routiers et faire des recommandations au gouvernement s'il y a lieu.

Chapitre 24 - Points saillants (suite)

24.8 Si le Parlement approuve la création projetée de la nouvelle Agence des douanes et du revenu du Canada, le Ministère deviendra un employeur distinct et assumera la plupart des responsabilités liées à la gestion des ressources humaines. En l'absence d'un plan et de stratégies d'ensemble en matière de ressources humaines, qui soient reliés au plan d'activités de la Direction, la création de la nouvelle Agence ne constituera pas comme telle la solution aux problèmes exposés dans ce chapitre. Il importe que l'analyse, la planification et la mise en oeuvre des initiatives voulues au chapitre des ressources humaines se fassent au plus tôt, afin que la Direction puisse géret correctement les risques que présentent en elles-mêmes les opérations internationales pour l'assiette fiscale du Canada.

Revenu Canada

Direction de l'impôt international : la gestion des ressources humaines



Chapitre 24 – Points saillants

24.1 La Direction de l'impôt international de Revenu Canada à été créée en novembre 1991. Elle est le point de convergence de toutes les questions liées aux règles fiscales internationales (sauf les questions législatives), et elle vise à habiliter Revenu Canada à répondre rapidement et de façon cohérente à ces questions.

24.2 Un rapport récent du Comité technique de la fiscalité des entreprises a révélé ce qui suit :.

- En 1993, les contribuables ont déclaré à Revenu Canada des opérations transfrontalières entre entités apparentées d'une valeur de 248 milliards de dollars, sur cette somme, 166 milliards de dollars avaient trait à des opérations conclues entre entités apparentées du Canada et des États-Unis.
- En 1995, les placements étrangers directs au Canada représentaient environ 170 milliards de dollars, soit 20 p. 100 de l'actif des entreprises canadiennes. Les placements directs effectués par des Canadiens à l'étranger se chiffraient à près de 140 milliards de dollars, soit 18 p. 100 de l'actif total des entreprises canadiennes.
- Des variations même relativement faibles du revenu attribué au Canada sur les opérations entre entités apparentées risquent de perturber considérablement l'assiette du revenu intérieur.
- Dans ce domaine complexe en pleine croissance, la Direction a besoin d'employés hautement qualifiés, qui possèdent une bonne compréhension des lois fiscales du Canada et de celles d'autres administrations.
- 24.4 Les lacunes qu'affiche la gestion des ressources humaines à la Direction, alliées aux règles souvent lourdes de gestion des ressources humaines en vigueur dans la fonction publique, ont considérablement retardé le processus de concours pour la dotation des postes, de même que les dernières étapes des nominations. Les candidats qualifiés pour les postes de niveau supérieur dans le domaine des règles fiscales internationales sont rares, et ils sont recherchés dans le secteur privé. Les bons candidats peuvent perdre tout intérêt s'ils doivent attendre longtemps avant de se voir offrir un poste.
- 24.5 A l'heure actuelle, les postes clés de la Direction y compris les postes de commandement sont remplis grâce à des détachements, à des réaffectations et à des nominations intérimaires. Nous craignons que cette approche de dotation puisse donner lieu à un manque de continuité et de stabilité et risque de compromettre gravement la qualité du travail accompli et la capacité de la Direction d'obtenir toutes les recettes possibles et de protéger l'assiette fiscale du Canada.
- **24.6** Bien qu'elle ait reconnu depuis 1994 la nécessité pressante de se doter d'un plan des ressources humaines, la Direction en est toujours à l'étape d'élaboration d'un plan et de stratégies d'ensemble en matière de ressources humaines, reliés à son plan d'activités. En septembre et octobre 1998, elle a entrepris un certain nombre de démarches qui, une fois parachevées, devraient résoudre quelques-uns des problèmes relevés.
- 24.7 Les bases de données existantes sur les ressources humaines et le rendement doivent être améliorées et mieux utilisées pour offrir aux gestionnaires l'information nécessaire à la planification des ressources humaines.

Anciens Combattants Canada

Les pensions d'invalidité



Chapitre 23 – Points saillants

Le programme des pensions d'invalidité, dont les dépenses annuelles atteignent environ 1,1 milliard de dollars, constitue le plus important programme d'Anciens Combattants, 25 500 membres ou anciens membres en temps reçoivent des pensions d'invalidité : 68 000 anciens combattants, 25 500 membres ou anciens membres en temps de paix des Forces canadiennes et 58 000 survivants.

Les mesures législatives de la réforme des pensions, qui sont entrées en vigueur en septembre 1995, ont entraîné des changements fondamentaux sur le plan des responsabilités imparties au programme des pensions d'invalidité. Le Ministère assume dorénavant de nouvelles fonctions : il offre de l'aide et des conseils à ceux qui demandent une pension d'invalidité et rend les premières décisions en matière de demandes de pension. Le Tribunal des anciens combattants (révision et appel) a été créé en même temps pour entendre les révisions et les appels des décisions.

Depuis la réforme des pensions, le principal objectif du programme des pensions d'invalidité est de réduire le délai de traitement des pensions. Anciens Combattants Canada et le Tribunal des anciens combattants (révision et appel) ont tous deux réussi à réduire le délai de traitement des demandes de pension d'invalidité et ont, en fait, dépassé les objectifs fixés.

On pourrait améliorer la qualité et l'uniformité des services assurés pour la préparation des premières demandes, grâce à l'utilisation accrue de documents d'orientation normalisés et à la formation de tous les intervenants. La table des invalidités, qui sert à déterminer la nature et le degré de l'invalidité ouvrant droit à la pension, donne peu d'indications pour évaluer le degré de certaines invalidités. Pour rendre des décisions judicieuses et cohérentes au chapitre des pensions d'invalidité, le Ministère doit améliorer les documents d'orientation qui facilitent les décisions concernant le droit à la pension et l'évaluation.

23.5 Anciens Combattants Canada ne justifie pas ses décisions en matière d'évaluation. Il faudrait que le Ministère et le Tribunal des anciens combattants (révision et appel) analysent régulièrement les motifs d'annulation des décisions relatives aux pensions.

Anciens Combattants Canada n'utilise pas pleinement le processus ministériel de révision, établi par les mesures législatives de la réforme des pensions afin de permettre une révision plus efficiente de certaines premières décisions, dans un laps de temps moins long que ne l'exigerait une révision officielle devant le Tribunal des anciens combattants (révision et appel).

Au cours des dix prochaines années, la clientèle des bénéficiaires de pensions d'invalidité changera considérablement : il y aura une augmentation importante du nombre de membres ou d'anciens membres en temps de paix des Forces canadiennes. Le Ministère doit informer le Parlement de l'évolution de sa clientèle et de la stratégie qu'il entend adopter pour composer avec ces changements.

Anciens Combattants Canada a attribué une haute priorité à ses projets de l'an 2000. Selon son plan et son calendrier d'exécution, les systèmes essentiels à sa mission devraient être conformes aux exigences de l'an 2000 d'ici la fin de 1998. Toutefois, le Ministère dépend aussi d'autres systèmes d'information, et la défaillance de ces derniers pourrait nuire à l'exécution du programme des pensions d'invalidité.

La Stratégie fédérale en matière de sciences et de technologie

Suivi des progrès



Chapitre 22 - Points saillants

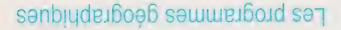
22.1 Il y a presque trois ans, le gouvernement publiait Les sciences et la technologie à l'aube du XXIº siècle—La stratégie fédérale. La Stratégie comportait trois objectifs à l'atteinte desquels devait contribuer l'utilisation des ressources en sciences et technologie (S-T). Elle soulignait la nécessité d'une meilleure gestion des activités de S-T et présentait un ensemble de principes devant permettre d'améliorer leur gestion dans les ministères et les organismes.

22.2 Nous avons constaté, dans le cadre du suivi de nos travaux de 1994 portant sur les efforts du gouvernement fédéral en matière de S-T, que, dans l'ensemble, la mise en oeuvre des éléments nécessaires à l'amélioration de sa gestion avait été lente. Le gouvernement n'a pas entièrement donné suite à certains des engagements qu'il a formulés dans la Stratégie. Le régime de gestion établi pour superviser les efforts du gouvernement fédéral en matière de S-T ne donne donc pas encore les résultats escomptés par ce dernier — à asvoir, établir des priorités claires, coordonner les activités et communiquer toute l'information sur le rendement.

Dans les ministères que nous avons vérifiés, nous avons pu observer que l'état d'avancement des travaux concernant les sept principes de travail de la Strafégie variait considérablement. Toutefois, même les ministères les moins avancés ont fait un pas dans la direction désirée par le gouvernement. Il reste encore du chemin à parcourir, et nous avons au cours de notre suivi cerné trois questions qui doivent faire l'objet d'une attention particulière : la recherche fonction d'un mandat, axée sur les résultats, l'excellence scientifique et le recours aux partenariats.

22.4 La Stratégie commence à donner des résultats, et nous croyons qu'il serait peut-être temps pour le gouvernement de préciser clairement ce qu'il reste à faire — ce que seront les étapes suivantes. Cette approche, combinée à un leadership satisfaisant et à une surveillance continue exercée par le Parlement, contribuerait à faire en sorte que la Stratégie ne devienne pas simplement une autre occasion manquée, comme ce fut le cas pour d'autres efforts du genre déployés au cours des 30 dernières années.

Agence canadienne de développement international





Chapitre 21 - Points saillants

Dans notre rapport de 1993, nous avons exprimé un certain nombre de préoccupations concernant le rendement des programmes bilatéraux de l'ACDI. Dans ceux de 1995 et de 1996, nous avons décrit les efforts de celle-ci pour mettre en place un ambitieux programme de changement et de renouveau. Dans le présent chapitre, nous expliquons dans quelle mesure l'ACDI a réglé les principaux problèmes mis en lumière en 1993.

L'Agence a adopté le concept de gestion axée sur les résultats pour devenir une organisation évolutive davantage axée sur les résultats. Des progrès réels ont été accomplis. À l'énoncé de principe sur la gestion axée sur les résultats se sont ajoutées des politiques et des lignes directrices connexes qui ont été diffusées à l'échelle de l'Agence. L'ACDI a établi un cadre des résultats et des facteurs clés de réussite qui aide ses gestionnaires et ses partenaires à axer davantage la gestion des projets sur les résultats. Toutefois, l'application des principes de la gestion axée sur les résultats à la passation des marchés a peu progressé.

21.3 L'ACDI est en train d'élaborer, d'examiner et de mettre à jour les cadres stratégiques de programmes-pays de tous les principaux pays et régions. Certains des plus récents cadres énoncent les objectifs et les résultats escomptés. Cependant, on ne compare pas les résultats escomptés aux récultats réels, alors que cette comparaison est l'un des principaux outils d'évaluation du rendement.

Au niveau des projets, là où l'on fournit concrètement l'aide publique au développement (APD), nous avons constaté que même si une attention accrue était portée aux résultats, les progrès vers une véritable gestion axée sur les résultats étaient inégaux. Bien que les hypothèses principales pour la réussite des projets et l'obtention des résultats escomptés aient été énoncées et qu'un système de rapports annuels de suivi de projet ait été mis en place, les énoncés des résultats escomptés ne sont pas toujours réalistes. De plus, une fois que les principaux risques ont été dégagés et évalués, aucun suivi méthodique de ces risques n'est assuré et aucune mesure n'est prise risques ont été dégagés et évalués, aucun suivi systématique des projets procureront les avantages attendus. Une fois tous les fonds décaissés, aucun suivi systématique des projets n'est effectué pour déterminer si les résultats escomptés ont été obtenus.

L'ACDI prépare des rapports internes sur le rendement, ce qui témoigne de sa plus grande capacité à évaluer systématiquement son rendement et à en rendre compte de façon plus méthodique. De plus, elle soumet au Parlement un rapport annuel sur le rendement; ce rapport gagnerait à montrer les progrès accomplis sur le plan des résultats des projets individuels par rapport aux résultats escomptés. Nous avons conclu de l'examen de ce rapport qu'une plus grande rigueur s'imposait afin que l'information communiquée soit claire, significative et exacte. Le programme d'APD étant mis en oeuvre dans de très nombreux pays et dans un climat d'incertitude politique et économique, la tâche est très complexe et délicate et les résultats sont inégaux. Nous estimons qu'il est important due l'ACDI traite de cette dimension dans ses rapports. En brossant un tableau plus équilibré, elle renforcerait leur crédibilité.

Mous avons conclu que les mesures prises par l'ACDI ont permis de répondre aux principales préoccupations exprimées en 1993. À l'heure actuelle, l'Agence doit maintenir l'élan imprimé à la mise en oeuvre de la gestion axée sur les résultats. Les éléments du système de soutien sont presque tous en place. Pour boucler la boucle de la responsabilisation, elle doit continuer d'améliorer la mesure des résultats en matière de développement, ainsi que l'information communiquée à cet égard.

La préparation à l'an 2000

Les systèmes essentiels à la mission de l'administration fédérale



Chapitre 20 – Points saillants

20.1 Le problème du passage à l'an 2000 est attribuable à l'ancienne habitude de programmation selon laquelle on utilisait deux chiffres plutôt que quatre pour désigner l'année. Le l'et janvier 2000, certaines applications informatiques ou certains appareils pourraient connaître des défaillances ou des défectuosités. En 1997, nous avons signalé que le rythme des progrès réalisés par le gouvernement en vue de se préparer à l'an 2000 était généralement lent et que s'il ne changeait pas, les systèmes du gouvernement ne seraient sans doute pas prêts à temps.

20.2 En 1998, nous avons vérifié certains systèmes et appareils informatiques clés qui appuient six fonctions essentielles à la mission de l'administration fédérale. Les fonctions sont les suivantes : services d'inspection assurant la salubrité des aliments, la protection des végétaux et la santé des animaux; assistance et soutien d'urgence; services de sécurité du revenu; paiements de transfert aux Premières nations et gestion de leurs fonds en fiducie; services frontaliers des douanes pour les marchandises commerciales; services d'application de la loi. Nous avons conclu qu'au 30 juin 1998, plusieurs systèmes clés appuyant trois de ces fonctions risquaient encore de ne pas être pleinement adaptés avant l'an 2000.

20.3 Nous avons remarqué que le gouvernement avait accéléré le rythme de ses efforts depuis notre vérification de 1997 et qu'il avait fait les progrès suivants :

- accorder une priorité très élevée au problème de l'an 2000;
- surveiller la progression des corrections apportées aux systèmes et aux appareils à l'appui des fonctions essentielles à la mission au sein du gouvernement;
- accélérer certaines initiatives horizontales communes;
- obtenir l'engagement des ministres et les sensibiliser à l'urgence des travaux en vue de l'an 2000.
- **20.4** Toutefois, notre examen des résultats du sondage du 30 juin 1998, qui ont été résumés par le Secrétariat du Conseil du Trésor, a révélé de « bons » progrès dans seulement quatre ministères, lesquels sont responsables de sept des 48 fonctions essentielles à la mission de l'administration fédérale. Neuf ministères et organismes responsables de 18 fonctions essentielles à la mission avaient terminé la moitié ou moins des travaux nécessaires à l'adaptation des systèmes appuyant les fonctions.
- **20.5**Nous avons conclu qu'en juin 1998, divers systèmes gouvernementaux à l'appui de fonctions essentielles à la mission présentaient encore des risques. Comme il ne restait que 18 mois, nous craignons fort que certains services gouvernementaux essentiels soient interrompus au début de l'an 2000.
- Pour assurer le maintien des fonctions essentielles à la mission, nous recommandons que l'on continue à mettre l'accent sur le problème du passage à l'an 2000, que le Secrétariat du Conseil du Trésor envisage au besoin des interventions stratégiques et que des plans d'urgence soient préparés et mis à l'essai pour les systèmes qui présentent encore des risques. Nous recommandons également que d'autres mesures soient prises pour faire avancer les initiatives horizontales communes et que l'on améliore la communication au Parlement de l'information concernant le problème du passage à l'an 2000.

Le commerce électronique

La conduite des affaires du gouvernement par Internet



Chapitre 19 - Points saillants

- 19.1 Les groupes de recherche et les spécialistes de l'industrie des technologies de l'information ont prèvu une croissance phénoménale de l'utilisation d'Internet pour faire des affaires. Au gouvernement, Internet offre la possibilité de rationaliser les opérations et d'améliorer la prestation des services, ainsi qu'un autre moyen de faire des affaires. Dans un énoncé de politique, le gouvernement s'était engagé à ce qu'en 1998 le commerce électronique devienne son moyen privilégié de faire des affaires. Pour appuyer son programme « un Canada branché », il a aussi entrepris de devenir un utilisateur modèle de l'inforoute d'ici l'an 2000.
- 19.2 La vérification a porté sur l'utilisation d'Internet par le gouvernement à des fins internes et externes. Nous avons conclu que des progrès ont été réalisés dans les trois secteurs examinés, secteurs fondamentaux à l'appui du commerce électronique :
- le projet d'infrastructure à clé publique du gouvernement en tant que mesure visant à assurer un commerce électronique protégé;
- le cadre juridique appuyant la conduite des affaires par voie électronique;
- les infrastructures technologiques communes permettant l'interopérabilité et l'accès transparent à l'information et aux services de l'ensemble des ministères et des organismes.
- 19.3 Néanmoins, nous avons relevé plusieurs risques importants qui pourraient miner le projet d'infrastructure à clé publique du gouvernement. L'élaboration du processus opérationnel utilisant Internet et la mise au point des applications informatiques connexes accusent du retard par rapport au projet. D'autre part, il reste à régler la application de la certification des particuliers, élément nécessaire à la prestation des services externes.
- 19.4 Le libellé des lois fédérales vise surtout le support papier; on a donc fait des démarches pour le généraliser. D'autres mesures s'imposent afin de gérer les risques de poursuite auxquels le gouvernement pourrait s'exposer par l'utilisation du commerce électronique.
- 19.5 Il faut un parrain principal pour faire avancer le commerce électronique au gouvernement. Un grand nombre de questions doivent être résolues avant que puissent s'établir des infrastructures communes adéquates pour appuyer la prestation des services entre plusieurs ministères et organismes.
- 5.6 Si le gouvernement ne s'occupe pas rapidement des risques recensés et des secteurs nécessitant une intervention, il pourrait ne pas atteindre pleinement son objectif de faire du commerce électronique son moyen privilégié de faire des affaires, et l'objectif selon lequel il veut devenir un utilisateur modèle de l'inforoute d'ici l'an 2000 pourrait aussi être menacé.

Chapitre 18 - Points saillants (suite)

Etant donné l'ampleur du renouvellement des systèmes financiers qui se déroule en vue de relever le défit de l'an 2000, nous sommes d'avis qu'il s'agit d'une occasion unique de mettre en place la SIF d'ici la date cible de mise en oeuvre, soit l'an 2001. La tâche n'est pas facile. Les défis qui se posent au gouvernement et qui sont résumés dans le présent chapitre doivent être relevés afin que tous les avantages de la SIF puissent se concrétiser et que le gouvernement puisse disposer de l'information dont il a besoin. Dans le cadre des vérifications qui auront lieu ultérieurement, nous continuerons de mesurer les progrès accomplis par le gouvernement pour la mise en oeuvre de la SIF et la réalisation de ses avantages.

La Stratégie d'information financière : un outil essentiel pour repenser le rôle de l'État



Chapitre 18 - Points saillants

18.1 Au moyen de la Stratégie d'information financière (SIF), le gouvernement apporte des changements radicaux au type de renseignements financiers fournis aux décideurs. La SIF consiste, entre autres choses, à adopter la comptabilité d'exercice intégrale), comme c'est le cas dans le secteur des entreprises commerciales, à mettre en oeuvre de nouveaux systèmes financiers et à intégrer l'information financière établie selon la comptabilité d'exercice intégrale dans la prise de décisions quotidienne des gestionnaires ministériels. Lorsqu'elle sera pleinement mise en oeuvre, d'ici 2001 selon le plan en vigueur, la SIF devrait aider le gouvernement à améliorer considérablement as gestion des secteurs d'activité et sa reddition de comptes au Parlement. Le gouvernement à clairement indiqué qu'il avait pris l'engagement de reddition de comptes au Parlement. Le gouvernement à clairement indiqué qu'il avait pris l'engagement de vepenser le rôle de l'État, et il a conçu la SIF comme une importante initiative pour y parvenir. Le Bureau du vérificateur général du Canada appuie sans réserve les objectifs énoncés pour la SIF.

L8.2 La SIF remonte à dix ans. Au cours des premières années, son évolution a été lente mais, dernièrement, la sucadence des travaux s'est accélérée. Jusqu'à maintenant, la SIF a consisté essentiellement à mettre en oeuvre de nouveaux systèmes financiers ministériels, qui sont adaptés à l'an 2000, et à s'assurer que les systèmes ministériels et centraux produiront une information pertinente destinée à figurer dans les états financiers annuels du gouvernement.

18.3 Toutefois, le gouvernement doit encore mettre en oeuvre ses plans pour s'attaquer à la tâche importante qui consiste à fournir une information financière selon la comptabilité d'exercice intégrale aux fonctionnaires des ministères et des organismes qui gèrent les secteurs d'activité et les composantes connexes, sur une base quotidienne. L'un des objectifs de la SIF consiste à fournir aux fonctionnaires une information plus complète sur les coûts, à des fins de comparaison avec les résultats obtenus, dans le cadre de la prise de décisions importantes. Tant que cet objectif ne sera pas atteint, tous les avantages de la SIF ne seront pas réalisés.

18.4 La SIF offre l'avantage d'améliorer l'information relative aux coûts aux fins de la prise de décisions, mais nous constatons que ni les différents ministères ni le gouvernement dans son ensemble ne connaissent les coûts totaux de la mise en oeuvre de la SIF, qui pourraient être élevés.

18.5 Le gouvernement et le Parlement peuvent contribuer au succès de la SIF en octroyant des fonds selon la comptabilité d'exercice intégrale, de manière à ce que la reddition de comptes et la présentation de rapports s'effectuent également suivant la même méthode comptable. Mais les organismes centraux et les différents ministères doivent également faire leur part pour que tous les avantages de la SIF se concrétisent. Les organismes centraux doivent obtenir « l'appui » sans réserve des ministères, et les sous-ministres de chacun des ministères doivent mettre en place l'infrastructure qui s'impose, notamment les systèmes et les ressources humaines.

18.6 Les ministères font face à un défi de taille, dans le contexte du renouvellement de leurs systèmes financiers, s'ils veulent atteindre les objectifs de la SIF. Les meilleures pratiques recensées et les leçons apprises par ceux qui ont amorcé leurs travaux plus tôt peuvent contribuer au succès de la mise en oeuvre.

Conseil d'examen du prix des médicaments brevetés



Chapitre 17 - Points saillants

17.1 Le Conseil d'examen du prix des médicaments brevetés (CEPMB) est un petit organisme quasi judiciaire disposant d'un budget annuel de trois millions de dollars environ et d'un personnel de 35 équivalents temps plein. Créé en 1987, il a pour mandat de protéger les intérêts des consommateurs et de contribuer au système de santé canadien en s'assurant que les prix demandés par les fabricants de médicaments brevetés ne sont pas excessifs. Cependant, l'étendue de son autorité et les limites de son rôle de protecteur des consommateurs sont peu connues du public.

Depuis 1988, les augmentations annuelles moyennes des prix des médicaments brevetés ont ralenti. Le Conseil a joué un rôle à cet égard et il a adopté des mesures pour évaluer les répercussions de la réglementation fédérale des prix. Cependant, d'autres facteurs ont également contribué à ce ralentissement. Nous craignons que le Conseil n'ait surestimé les économies qu'il a fait réaliser au système de santé canadien. Dans les résultats communiqués au Parlement, le Conseil n'a pas précisé les limites des estimations de sa propre influence.

L7.3 La vérification a permis de cerner des aspects du cadre législatif qui ont besoin d'être examinés. La loi passe certaines questions sous silence ou n'est pas claire à leur sujet. En outre, certaines exigences de la loi sont difficiles à appliquer en pratique. Il faut envisager de les examiner pour déterminer si elles sont encore pertinentes.

17.4 Les prix de la plupart des médicaments brevetés qui sont vendus au Canada respectent les lignes directrices du Conseil. Cependant, celui—ci doit s'assurer que ses décisions découlant de l'examen des prix sont claires et transparentes. Il doit aussi déterminer des moyens rentables de vérifier l'exactitude des renseignements sur les prix que lui fournissent les fabricants. Des améliorations doivent aussi être apportées aux rapports sur les tendances des prix des médicaments ainsi que sur les dépenses de recherche et développement dans le domaine pharmaceutique.

Chapitre 16 - Points saillants (suite)

- On ne consacre que peu d'efforts aux enquêtes sur la fraude et les abus concernant le NAS et les peines sont minimes et n'ont pas d'effets dissuasifs réels.
- L'utilisation du NAS n'est pas réglementée dans le secteur privé, sauf au Québec. Ce numéro peut donc servir à enfreindre la protection des renseignements personnels et à usurper l'identité.

16.6 L'efficacité de certaines décisions administratives et l'intégrité des programmes sociaux sont grandement facilitées par la fiabilité des renseignements que contient la base de données du NAS. Nous croyons que le moment est venu d'examiner les rôles, les objectifs et l'utilisation actuels du NAS, à la lumière de son importance pour le gouvernement et la société. Le gouvernement doit établit clairement le niveau d'intégrité et de protection des renseignements personnels à attendre du système.

16.7 Il semble y avoir deux options possibles: améliorer le cadre existant, de façon à tenir compte de l'utilisation actuelle du NAS ou, autrement, concevoir une solution de rechange acceptable pour répondre aux besoins des utilisateurs, y compris ceux des gouvernements et des particuliers. Dans un cas comme dans l'autre, les répercussions du NAS sur la protection des renseignements personnels doivent être reconnues. À notre avis, il est répercussion du le Parlement joue un rôle important dans la discussion de ces questions, dans l'accroissement de la sensibilisation du public et dans la recherche d'une solution satisfaisante.

La gestion du numéro d'assurance sociale



Chapitre 16 - Points saillants

16.1 Le numéro d'assurance sociale (NAS) a été adopté en 1964, comme moyen de fournir un numéro de dossier aux clients de l'assurance-chômage, du Régime de pensions du Canada et du Régime de rentes du Québec. En 1967, il est aussi devenu un code d'identification de dossier pour Revenu Canada. Dès le départ, le NAS a fait l'objet d'un intérêt et d'un débat intenses au Parlement. La controverse portait en grande partie sur les répercussions d'une expansion possible de son utilisation qui en ferait un code d'identification universel. L'histoire du NAS a surtout traduit la tension pour atteindre un équilibre entre les objectifs souvent contradictoires de la protection des renseignements personnels et de l'amélioration de l'efficience et de l'efficacité administratives.

16.2 Développement des ressources humaines Canada administre le NAS dans l'esprit du cadre juridique selon lequel le NAS devait être un code d'identification de dossier (numéro de compte) pour certains programmes du gouvernement fédéral. Cependant, le public perçoit souvent le NAS comme un code d'identification personnel ou même une carte d'identité.

16.3 L'utilisation du NAS hors du domaine fédéral a dépassé l'esprit de la politique du Conseil du Trésor établie en 1989, laquelle visait à empêcher ce numéro de devenir un code d'identification personnel national. Au cours de notre vérification, nous avons constaté que le NAS est devenu un code d'identification numérique commun, tant à l'intérieur qu'à l'extérieur du gouvernement fédéral, pour un large éventail de prestations et de transactions relatives au revenu, entre autres utilisations.

16.4 Les modifications apportées à la Loi de l'impôt sur le revenu et au Règlement de l'impôt sur le revenu ont encouragé l'utilisation du NAS par les provinces, les territoires et le secteur privé, tout comme l'a fait le nombre croissant d'échanges, de comparaisons et de couplages de données entre les différents paliers des programmes sociaux.

16.5 Cependant, le NAS comporte un certain nombre de lacunes, dont certaines sont bien connues. Avec l'utilisation accrue du NAS, ces lacunes sont devenues plus importantes.

- Les renseignements sur les titulaires de NAS, en particulier sur les naissances et les décès, ne sont pas toujours complèts ni exacts.
- Les procédures existantes de demande de NAS ne suffisent pas à assurer la protection contre la fraude et les abus. On n'a pas demandé aux titulaires de 11,8 millions de NAS qui se sont inscrits avant la mise en place du programme de preuve d'identité, en 1976, de fournir des documents attestant leur identité. Cela accroît le risque de fausses représentations.
- Les provinces et les institutions financières sont obligées, en vertu de la Loi de l'impôt sur le revenu et du Règlement de l'impôt sur le revenu, d'obtenir les UAS à des fins d'impôt, mais elles ne peuvent pas vérifier les numéros d'assurance sociale fournis par leurs clients.
- Les erreurs portant sur le NAS, les abus et la mauvaise utilisation touchent de nombreux programmes fédéraux, les provinces et le secteur privé. Dans l'ensemble, les répercussions pourraient être considérables.

Revenu Canada

Promouvoir l'intégrité au sein du Ministère



Chaplite at Points sailants

L5.1 La réussite des programmes de Revenu Canada dépend en grande partie de l'observation volontaire de la loi par les particuliers et les entreprises. Mous croyons que la façon dont les clients perçoivent la conduite des employés de Revenu Canada constitue l'un des nombreux facteurs qui influent sur cette observation volontaire. Une organisation comme Revenu Canada, avec ses opérations décentralisées et le rôle considérable qu'y joue le ingement de ses employés, doit prendre des précautions propres à réduire au minimum le risque d'inconduite de son personnel. Notre vérification a porté sur les différents moyens pris par le Ministère afin de promouvoir l'intégrité chez ses employés.

Esvenu Canada. Le Ministère enquête sur les cas d'inconduite; les employés dont l'inconduite est dûment constatée subissent des mesures disciplinaires; et, dans l'ensemble, lorsque des incidents font ressortir des lacunes, la direction prend des mesures appropriées pour prévenir les cas d'inconduite semblables. De plus, en distribuant des énoncés de sa mission, de sa vision et de ses valeurs ainsi que trois brochures clés sur la conduite du personnel, Revenu Canada déploie d'importants efforts pour promouvoir une culture d'intégrité. La plupart des employés ont reçu une certaine formation officielle concernant la conduite qu'on attend d'eux, employés ont reçu une certaine formation officielle concernant la conduite qu'on attend d'eux.

I5.3 Il y a des secteurs où des améliorations aideraient Revenu Canada à renforcer ce fondement solide. Parce que la procédure relative aux mesures disciplinaires est parfois lente, son effet de dissuasion contre des inconduites semblables s'en trouve peut-être affaibli. La direction prend des mesures pour combler les lacunes révelées par des incidents mais, parfois, les mesures prises sont lentes à venir et visent des lacunes essentiellement locales plutôt que des situations à corriger dans l'ensemble du Ministère. De surcroît, l'information donnée au sujet des valeurs et de la conduite professionnelle n'est pas présentée d'une manière qui permettrait de l'assimiler aisément, et la formation dans le domaine est inégale. Le Ministère prend peu de mesures pour vérifier jusqu'à quel point ses employés comprennent ses attentes en matière de conduite et de valeurs. Il n'a pas non plus désigné une personne que les employés pourraient consulter en toute confidentialité au sujet de questions d'intégrité.

Affaires indiennes et du Nord Canada

Les revendications territoriales globales



Chapitre 14 - Points saillants

- 14.1 Les règlements de revendications territoriales globales sont des traités modernes qui sont importants non seulement pour les collectivités autochtones, mais aussi pour tous les Canadiens. Les règlements territoriaux comportent le paiement de près de deux milliards de dollars par le gouvernement fédéral à des groupes autochtones ainsi que la clarification de divers droits, dont le droit de propriété exclusive de terres d'une superficie totale de plus d'une revendication territoriale globale a été conclue en 1975 et la plus récente, en juillet 1997. À cette dernière date, 12 dossiers de revendications avaient été réglés, mais des revendications éventuelles et actuelles de plus de 200 Premières nations doivent encore être évaluées ou réglées, selon le cas.
- 14.2 Le gouvernement du Canada a choisi de régler ces revendications par la négociation plutôt que par la contestation judiciaire ou d'autres moyens. Affaires indiennes et du Nord Canada est le représentant fédéral attitré lors des négociations auxquelles participent d'autres ministères, s'il y a lieu. Les autres parties sont notamment les gouvernements provinciaux et territoriaux et les requérants. Le Ministère répond largement des résultats obtenus, mais il n'est pas la seule partie qui doit rendre des comptes; pour en venir aux règlements recherchés, il faut de la bonne volonté et un engagement politique de la part de tous les participants.
- 14.3 Le gouvernement a indiqué que des règlements négociés établissent une certitude en matière de droits de propriété des terres et d'accès à celles-ci et à leurs ressources. Toutefois, il faut bien plus que la signature d'une entente pour chasser l'incertitude. Comme autre facteur primordial, mentionnons notamment la mise en oeuvre réussie des ententes. Celle-ci prend la forme de centaines de projets auxquels participent les parties collectivement ou individuellement. Nous avons décelé des lacunes dans cette mise en oeuvre, y compris des plans de mise en oeuvre insuffisants, voire inexistants, et avons constaté la nécessité d'améliorer la surveillance, les rapports et l'évaluation.
- 14.4 Affaires indiennes et du Nord Canada n'a pas toujours fait preuve d'assez de rigueur au moment de déterminer la nature et la valeur des biens devant figurer dans les règlements finaux (sommes d'argent, terres et autres ressources).
- 14.5 If faut parfois compter plus de 20 ans pour en venir à un règlement. Les retards ont de nombreuses causes. À notre avis, les longs délais nuisent à la rentabilité (rapport coût-efficacité) du processus et peuvent mener à des résultats moins favorables pour toutes les parties intéressées.

Office national de l'énergie



Chapitre 13 - Points saillants

- 13.1 La Loi sur l'Office national de l'énergie n'a pas subi de modification importante depuis qu'elle a institué l'Office national de l'énergie, en 1959. Bien que l'Office se soit vu confier de nouvelles responsabilités dans des domaines comme les activités en région pionnière, son rôle n'a pas beaucoup changé depuis sa création. l'Office est devenu moins interventionnement s'est profondément transformé. En modifiant sa réglementation. l'Office l'industrie et la négociation de la structure des droits. Pendant cette période de transformation, l'Office a l'industrie et la négociation de la structure des droits. Pendant cette période de transformation, l'Office a l'industrie et la négociation de la structure des droits. Pendant cette période de transformation, l'Office a restructuration interne pour rehausser son efficience. L'Office n'a cependant mesuré de manière objective ni l'efficacité de son programme, ni sa pertinence.
- 13.2 L'Office est conscient que le vieillissement du réseau canadien de pipelines pose des risques potentiels pour la sécurité du public et l'environnement. Le nombre d'incidents signalés mettant en cause des pipelines a augmenté au cours des dernières années. L'Office met au point actuellement une méthodologie d'évaluation des risques qui devrait lui permettre de mieux cibler les inspections ainsi que les vérifications de sécurité. Il devrait toutefois combler des lacunes dans as gestion de l'information.
- 13.3 L'Office pourrait ne pas être en mesure de s'acquitter pleinement de ses responsabilités en matière de réglementation de l'environnement en raison des lacunes que comporte son programme d'inspection en tormelles et mal structurées.

 pratiques d'inspection trop peu formelles et mal structurées.
- 13.4 Depuis 1991, l'Office recouvre la majeure partie de ses coûts auprès de l'industrie. Il n'a pas encore modifié sa méthode de répartition des coûts, même si des intervenants ont exprimé des doutes quant à l'équité de cette méthode. L'Office a choisi la simplicité aux dépens de la causalité des coûts. Il n'a pas de système de comptabilité analytique. Il doit recouvrer les coûts d'une façon que les parties intéressées jugeront plus équitable et acceptable.
- 13.5 L'Office s'oriente vers une gestion axée sur les résultats. Pour ce faire, il adopte un nouveau cadre de responsabilisation ainsi qu'un nouveau mode de prise de décisions. Bien qu'il soit trop tôt pour évaluer les résultats de cette initiative, nous avons remarqué que l'Office pourrait davantage aligner sa gestion des ressources humaines sur sa vision de l'avenir. En outre, l'Office devra énoncer clairement les résultats qu'il vise et en faire rapport, surveiller son rendement de manière régulière et systématique, et établir une meilleure correspondance entre les coûts et les résultats obtenus.

La création de l'Agence canadienne d'inspection des aliments



Chapitre 12 - Points saillants

- 12.1 Le gouvernement fédéral recourt actuellement à de nouveaux mécanismes pour améliorer la prestation de ses services. Dans cette veine, il a créé l'Agence canadienne d'inspection des aliments (ACIA), premier organisme gouvernemental de services à voir le jour par voie législative; cet établissement public est entré en fonction le let avril 1997. Sa principale responsabilité est de favoriser la salubrité des aliments, de protéger la santé des végétaux et des animaux et de faciliter les échanges commerciaux dans tous les domaines en offrant des services d'inspection et d'autres services connexes.
- 12.2 La création de l'Agence est manifestement fondée; celle-ci est notamment l'aboutissement d'études menées depuis 30 ans sur la réorganisation du système fédéral d'inspection des aliments. En outre, le gouvernement s'était engagé à adopter des modes nouveaux et améliorés de prestation des services. Les hauts fonctionnaires des trois ministères fédéraux s'occupant de l'inspection et de la salubrité des aliments ont appuyé la mise sur pied d'une entité unique d'inspection des aliments. Cette initiative illustre clairement qu'il est possible d'apporter des changements durables lorsque ceux-ci sont clairement justifiés et qu'ils bénéficient du soutien des cadres supérieurs.
- 12.3 La formation d'un groupe structuré et indépendant a joué un rôle crucial dans la mise sur pied de l'Agence. Le groupe a pu accomplir son travail sans être mêlé aux activités courantes d'inspection et de quarantaine; on a ainsi pu offrir ces services sans interruption pendant tout le processus de création de l'Agence.
- 12.4 L'un des motifs favorisant l'adoption de nouveaux modes de prestation des services est d'offrir une plus grande souplesse à la gestion des ressources humaines. L'un des principaux défis que l'Agence a dû relever, lorsqu'elle a cessé d'être régie par la Loi sur l'emploi dans la fonction publique et a acquis le statut d'employeur distinct, fut de passer à un nouveau régime de gestion des ressources humaines. En tant qu'employeur distinct, il faut être conscient, dès le départ, de la complexité inhérente à la création d'un nouveau cadre de ressources humaines et en tenir compte.
- 12.5 Dans un domaine à responsabilité partagée comme la salubrité des aliments, il est important de définir avec soin les rôles et d'établir des mécanismes qui permettront de régler les problèmes imprévus. La mise sur pied d'un cadre de responsabilisation a été au centre des préoccupations lors de la création de l'ACIA. Les ministres de l'Agriculture et de la Santé se sont vu confier des responsabilités particulières en matière de salubrité des aliments. Pendant la première année de fonctionnement de l'Agence, certains détails opérationnels restaient à régler alors que surgissaient de nouveaux problèmes.

Agriculture et Agroalimentaire Canada

Le programme des avances en espèces



Chapitre 11 - Points saillants

- II.1 Le programme des avances en espèces d'Agriculture et Agroalimentaire Canada est l'un des véhicules que le gouvernement met à la disposition des producteurs de cultures entreposables pour leur donner plus de latitude lorsqu'ils prennent leurs décisions de mise en marché. Ce programme comporte des prêts à court terme consentis aux producteurs au moment de la récolte, alors que leurs obligations financières sont souvent les plus lourdes. Les fonds accordés permettent aux producteurs de faire le pont entre la récolte et le moment où ils commercialisent leurs produits et où ils commencent à en tirer des revenus. Ces dernières années, le montant annuel des prêts a varié entre 730 millions de dollars et plus de 1,2 milliard de dollars.
- 11.2 Les producteurs ont fort bien accueilli le programme. Ceux avec qui nous avons communiqué aiment pouvoir disposer de liquidités prévisibles au moment de la récolte et ils apprécient le volet de l'exemption d'intérêt du programme. Bon nombre des grands programmes d'aide à l'agriculture du passé ont pris fin, et les producteurs voient en celui-ci un signe important du soutien continu du gouvernement au secteur.
- II.3 En 1993, la Direction générale de l'examen des programmes du Ministère a fait une évaluation du programme qui comportantes, notamment au sujet du volet de l'exemption d'intérêt. Les évaluateurs ont également conclu que rien ne prouvait hors de tout doute que ce programme favorisait la commercialisation ordonnée.
- II.4 En 1997, le Parlement adoptait une nouvelle loi, la Loi sur les programmes de commercialisation agricole disposition d'exemption d'intérêt. Le gouvernement n'a pas établi avec clarté pour quels motifs il consentait des avances sans intérêt, même si l'évaluation faisait ressortir la nécessité de définir un objectif clair pour cette composante du programme.
- La nouvelle Loi requiert un examen de ses dispositions et de son application, la cinquième année de son existence, soit en 2001. L'évaluation de 1993 a fourni d'importants renseignements sur l'efficacité du programme, mais, à l'instar de toute autre étude, certaines questions demeurent sans réponse; nous estimons qu'il faudrait en traiter lors du prochain examen. Il y a lieu de se demander, entre autres choses, si les producteurs éprouvent de récelles difficultés d'accès à du crédit lors de la récolte, et si l'on gère bien les pertes qui découlent de la garantic du gouvernement sur ces prêts.
- II.6 Mous avons relevé des lacunes dans la façon dont on a rendu publiques les constatations de l'évaluation sur les avances en espèces. Nous avons constaté des lacunes semblables dans la diffusion d'autres études que les directions générales du Ministère, les lois qu'il doit appliquer et la composition de ses parties intéressées constituent autant de facteurs qui favorisent grandement une diffusion plus active à l'externe, de l'information sur l'existence et les constatations des études sur l'efficacité. Certains secteurs du Ministère prennent déjà des mesures dans ce sens.

Commission canadienne des droits de la personne

Comité du tribunal des droits de la personne



Chapitre 10 - Points saillants

- 10.1 En 1977, le Parlement a créé la Commission canadienne des droits de la personne et le Comité du tribunal des droits de la personne (ci-après appelé « Tribunal ») qu'il a chargés de régler les plaintes relatives aux droits de la personne de façon rapide, impartiale et experte. La Commission fait enquête sur les plaintes, puis, si elle juge qu'une instruction est justifiée, en saisit le Tribunal. Ce modèle a été choisi comme solution de rechange elle juge qu'une instruction dest justifiée, en saisit le Tribunal. Avec le temps, le processus est toutefois devenu lourd, long et coûteux.
- 10.2 De 1988 à 1997, la Commission a reçu environ 7 450 plaintes signées, les plaintes à l'égard de la parité salariale non comprises. Elle a rendu des décisions finales dans environ 6 550 des 7 450 plaintes signées. La Commission a soit rejeté, soit décidé de ne pas instruire environ les deux tiers de ces plaintes. Environ six pour cent des plaintes ont été transmises au Tribunal pour instruction.
- 10.3 Bien que des efforts considérables aient été déployés afin d'améliorer le traitement des plaintes, il faut encore beaucoup de temps pour instruire une plainte, soit en moyenne environ deux ans pour la Commission et un an pour le Tribunal. En 1997, presque la moitié des 900 plaintes présentées à la Commission faisaient encore l'objet d'une enquête un an après leur signature.
- 10.4 La Commission essaie de régler les plaintes par la conciliation et le Tribunal tente à son tour de recourir à la médiation une fois que la Commission lui a déféré des dossiers pour instruction. Comme la Commission a ses propres objectifs en matière de règlement des plaintes, elle n'est pas un conciliateur neutre. Depuis 1996, environ 18 p. 100 des plaintes ont fait l'objet d'un règlement rapide ou ont été réglées au moyen de la conciliation. Il a faillu en moyenne quelque 45 mois à la Commission pour en arriver à une décision finale lorsque les plaintes faissaient l'objet d'une enquête avant d'être soumises à la conciliation.
- **10.5** La Commission et le Tribunal fonctionnent dans un milieu complexe qui présente des risques élevés. Les motifs permettant le dépôt d'une plainte augmentent en nombre et les concepts entourant la discrimination gagnent en complexité. Le contexte lui-même est aussi davantage litigieux. Les crédits alloués à la Commission ont été réduits, passant de 16,15 millions de dollars en 1992–1993 à 14,8 millions de dollars en 1998–1999. De plus, le nombre des enquêteurs est passé de 37 à 25. Le roulement du personnel enquêteur de la Commission est élevé, ce qui nécessite la réattribution des dossiers à d'autres enquêteurs. Nous sommes également préoccupés par élevé, ce qui nécessite la réattribution des dossiers à d'autres enquêteurs. Nous sommes également préoccupés par d'enquête.
- 10.6 Nous constatons que la ministre de la Justice a indiqué que la Loi canadienne sur les droits de la personne serait soumise à un examen exhaustif. La Commission s'est réjouie de cette proposition. Le Comité sénatorial permanent des affaires juridiques et constitutionnelles, dans son troisième rapport de décembre 1997, a également réclamé une révision de la Loi.
- 10.7 Mous convenons que le Parlement devrait mener un examen approfondi de la Loi et nous recommandons que le gouvernement définisse et présente au Parlement un ensemble intégré de mesures précises destinées à accroître l'efficacité du traitement des plaintes relatives aux droits de la personne. Les mesures qu'il serait possible de prendre à cet égard sont résumées dans la conclusion du présent chapitre.

La présentation des résultats financiers du gouvernement: l'importance de respecter des normes comptables objectives



Chapitre 9 – Points saillants

Ues années 80 et le début des années 90 ont été le théâtre de progrès considérables dans la communication de l'information financière par les gouvernements des États souvernains. le Canada comptant parmi les chefs de file. Toutefois, au cours des deux dernières années, le gouvernement du Canada a commencé à déroger tant aux normes comptables objectives qu'à ses propres conventions comptables pour certaines opérations. Qui plus est, le Budget du 24 février 1998 indique qu'une dérogation semblable se produira en 1998.

En 1996, I' side transitoire à I'harmonisation de la TPS et de la TVP a été incluse dans le déficit, même si les provinces n'avaient pas donné leur accord à l'harmonisation à la fin de l'exercice. En 1997, le financement de la Fondation canadienne pour l'innovation a été inclus dans le déficit, même si la Fondation n'existait pas à la fin de l'exercice. Le Budget du 24 février 1998 indique que le financement de la Fondation canadienne des bourses d'études du millénaire sera inclus dans les résultats financiers, que la Fondation existe ou qu'elle n'existe pas à la fin de l'exercice.

B.3 En tant que vérificateurs des états financiers du gouvernement, nous sommes profondément préoccupés du fait que le gouvernement n'a pas observé récemment les normes comptables objectives dans sa communication des résultats financiers au Parlement et aux Canadiens. Il ne s'agit pas simplement d'un désaccord technique entre un comptable et un vérificateur. Les « normes comptables objectives » sont des normes reconnues qui sont établies par un organisme de normalisation indépendant, l'Institut Canadien des Comptables Agrées (ICCA). Les entreprises commerciales ne peuvent déroger aux normes comptables objectives établies par l'ICCA pour cacher des profits ou des pertes. Les parlementaires devraient s'attendre à autant de la part du gouvernement.

Pour relever les défis de taille qui se poseront au cours de la prochaine décennie, le gouvernement devra notamment présenter des rapports financiers annuels crédibles sur sa condition financière globale. À notre avis, les dérogations aux normes de l'ICCA et aux propres conventions comptables du gouvernement doivent cesser pour que soit rétablie la crédibilité des rapports dont les parlementaires et les autres parties ont besoin.

Par conséquent, nous avons recommandé que le gouvernement du Canada fasse en sorte que ses conventions et ses pratiques comptables soient conformes aux recommandations publiées par le Conseil sur la comptabilité et la vérification dans le secteur public de l'Institut Canadien des Comptables Agréés. La mise en oeuvre de notre recommandation exigera du Comité des comptes publics de la Chambre des communes qu'il examinera les états financiers annuels du gouvernement.

Même si ce chapitre attire l'attention du Parlement sur des aspects de comptabilité inappropriée, nous avons d'autres préoccupations du même ordre et nous continuerons de les communiquer séparément. Ces préoccupations ont trait à la reddition de comptes et à la surveillance parlementaire d'entités comme la Fondation canadienne des bourses d'études du millénaire, et à la question de canadienne pour l'innovation et la Fondation canadienne des bourses d'études du millénaire, et à la question de savoir si ces entités fonctionnent, oui ou non, essentiellement de façon indépendante du gouvernement.

Ministère des Finances

Mesurer l'efficacité et en rendre compte



Chapitre 8 – Points saillants

- B.1 En plus d'exercer des fonctions qui comprennent la préparation du budget et la prestation de conseils en matière de politique économique au gouvernement, le ministère des Finances assume des responsabilités liées à un certain nombre de politiques et de programmes. Les dépenses prévues du Ministère pour 1997–1998 s'élèvent à 66 milliards de dollars, ce qui représente 43 p. 100 des dépenses fédérales prévues. Le Ministère est également responsable de la politique fiscale fédérale, y compris les dispositions fiscales préférentielles destinées à conduire à la réalisation de divers objectifs prévus par les politiques du gouvernement.
- **8.2** La portée des responsabilités du Ministère en matière de politiques et de programmes met en relief l'importance de son obligation de faire connaître au Parlement et au public, de façon claire et significative, la nature et l'étendue de ces responsabilités, les objectifs visés et les résultats atteints par rapport à ces objectifs.
- 8.3 Il y a lieu de fournir au Parlement des énoncés plus clairs et plus cohérents sur les objectifs et les responsabilités du Ministère en matière de politiques et de programmes. Dans nombre de politiques et de programmes, le Ministère partage des responsabilités avec d'autres ministères et organismes. Nous avons constaté un manque général de clarté dans les documents fournis au Parlement quant aux autres ministères et organismes concernés et quant à la manière dont les responsabilités sont partagées.
- 8.4 Mous avons constaté des lacunes dans les rapports qui présentent au Parlement les résultats obtenus comparativement aux objectifs fixés. Les constatations de la présente vérification rejoignent celles d'un certain nombre de vérifications de politiques et de programmes effectuées par le Bureau au cours des six dernières années. L'image qui se dégage se caractérise par des lacunes déjà connues et par le caractère insuffisant de l'attention portée à la mesure de l'efficacité et à la communication des résultats au Parlement et au public.
- Les dispositions législatives qui régissent un certain nombre de politiques et de programmes relevant du Ministère ont été examinées par le Parlement pour déterminer si elles doivent être modifiées afin d'améliorer le rendement et de permettre l'adaptation des politiques et des programmes à l'évolution des circonstances. Ces examens législatifs sont précieux en eux-mêmes, mais ils ne sauraient remplacer, au Ministère, la mesure et l'information méthodiques en matière d'efficacité. Nous croyons que les examens législatifs seraient renforcés si le Parlement avait un accès régulier et en temps opportun à de l'information sur les résultats obtenus par les politiques et les programmes.
- **8.6** La planification de la mesure de l'efficacité et de la reddition de comptes n'est pas suffisamment liée au processus de planification institutionnelle du Ministère. La méthode actuellement suivie par le Ministère a pour conséquence que la fonction de mesure de l'efficacité a une portée partielle et n'est pas clairement intégrée dans la structure globale de gestion institutionnelle. Compte tenu du caractère limité des ressources affectées apécifiquement à cette fonction, nous sommes inquiets quant à la capacité du Ministère à s'acquitter de son obligation de rendre compte au Parlement des résultats obtenus.

Le projet de construction d'un complexe de laboratoires fédéraux de santé humaine et animale



Chapitre 7 - Points saillants

- 7.1 Le nouveau complexe de laboratoires fédéraux de santé humaine et animale de Winnipeg abrite des installations de diagnostic, de recherche et de formation parmi les plus modernes au monde dans leur catégorie. Le complexe est le premier dans le monde à réunir des laboratoires qui s'occupent à la fois des maladies de l'homme et de l'animal, et le premier au Canada dont l'aménagement permet la manipulation des virus les plus dangereux que l'on connaisse. Santé Canada et l'Agence canadienne d'inspection des aliments utiliseront ce complexe.
- 7.2 Les spécialistes internationaux qui ont participé à l'examen des critères de conception et de construction du complexe ont jugé celui-ci extrêmement sécuritaire en ce qui concerne le confinement des dangers biologiques.
- Malgré la longue série de propositions présentées par Agriculture et Agroalimentaire Canada et Santé Canada en rapport avec la construction de nouveaux laboratoires, le projet de Winnipeg a été entrepris sans que l'on ait suffisamment analysé la capacité de laboratoire actuelle. Le complexe de Winnipeg possède présentement des aires de laboratoire qui dépassent les exigences prévues de ses programmes et le montant autorisé par le Conseil du Trésor; cela s'ajoute à un inventaire national de capacité excédentaire.
- 7.4 Santé Canada et l'Agence canadienne d'inspection des aliments nous ont fait savoir qu'ils sont conscients de l'importance de tirer pleinement parti du complexe et d'explorer toutes les options permettant un recouvrement des coûts. Cependant, à ce jour, on n'a élaboré aucune stratégie ni aucun plan d'entreprise exhaustifs en vue d'atteindre ces buts.
- Anotre avis, le projet accuse un retard d'environ 12 mois sur l'échéancier et il aurait pu être réalisé pour au moins cinq à dix millions de dollars de moins. De plus, le budget de 141,8 millions de dollars ne reflète pas exactement le coût total du projet pour le contribuable, présentement estimé à 176 millions de dollars. Le budget proposé ne faisait pas état de tous les coûts reliés au projet, tel que l'exige la politique du Conseil du Trésor.
- 7.6 Mous avons cerné plusieurs domaines où Travaux publics et Services gouvernementaux Canada peut améliorer ses praiques de sélection et de gestion des consultants auxquels des projets complexes comme celui-ci seront confiés à l'avenir. Nous avons aussi constaté que le partage du pouvoir et de l'obligation de rendre compte exigent une gestion prudente pour atténuer les risques de retards des projets et de surcoûts.
- 7.7 Comme nous l'avons constaté lors de l'examen d'autres projets publics, la démarche actuelle qui pousse à « construire jusqu' à la limite du budget », un système qui ne comporte pas d'encouragements systémiques à faire des économies dans les limites des budgets approuvés, et l'absence de culture ministérielle qui appuierait ce genre d'objectif sont autant de facteurs qui n'ont pas incité les parties à envisager et à appliquer des options permettant de réaliser des économies.
- 7.8 Le nouveau complexe est une réalisation dont tous les Canadiens pourront tirer fierté puisqu'elle concourt à l'effort mondial de dépistage des maladies humaines et animales infectieuses et de lutte contre cellex-ci. En raison de la nature de leurs programmes, les laboratoires de Winnipeg seront coûteux à exploiter et à entretenir. Pour Santé Canada et l'Agence canadienne d'inspection des aliments, le défi qui se pose maintenant est de tirer pleinement parti de ce nouveau complexe.

Le vieillissement de la population et l'information destinée au Parlement : pour comprendre les choix



Chapitre 6 - Points saillants

6.1 Le Canada jouit actuellement d'une structure démographique très favorable, qui se caractérise d'un point de vue historique par un rapport peu élevé des jeunes et des personnes âgées à la population d'âge actif. Au cours des décennies à venir, la situation connaîtra un changement radical. Dès la deuxième décennie du siècle prochain, lorsque les premiers-nés de la génération issue de l'explosion démographique auront atteint l'âge normal de la retraite, la croissance de la population âgée du Canada prendra de la vitesse alors que celle de la population d'âge actif ralentira énormément.

Ve changement démographique pourrait avoir des effets néfastes sur les finances publiques. Le vieillissement de la population se traduit par des pressions sur les dépenses publiques, sous l'effet de l'accroissement des versements au titre des pensions de retraite et de la demande à l'égard des services de soins de santé. De plus, à moins d'une importante transformation des systèmes de travail, ce changement démographique amortira considérablement la croissance de la population active, ce qui aura pour effet de ralentir la croissance des recettes publiques. Cette combinaison de facteurs pourrait être lourde de conséquences pour les finances publiques, lorsque tous les effets du changement démographique se lourde de conséquences pour les finances publiques, lorsque tous les effets du changement démographique se letront sentir, d'ici la deuxième décennie du siècle prochain, et en particulier si le fardeau de la dette et les niveaux d'imposition du Canada demeurent élevés.

Le gouvernement n'ignore pas ces pressions démographiques; pendant les consultations tenues sur la réforme de programmes précis comme le Régime de pensions du Canada, il a diffusé des projections détaillées des effets des forces démographiques sur la situation financière du régime. Cette information à long terme non seulement a alimenté le débat public, mais elle a aussi fait accepter la nécessité de changements. Lorsque le gouvernement a commencé à discuter des mesures de réforme à apporter à la Sécurité de la vieillesse et au gouvernement de revenu garanti (Prestation aux aînés), il a de nouveau diffusé des projections à long terme de l'incidence financière des réformes, bien que dans une moindre mesure.

Pourtant, ce qu'il a fait pour souligner l'incidence des facteurs démographiques sur la santé financière de chacun des programmes, il a omis de le faire pour la santé financière du gouvernement dans son ensemble. Par conséquences à long terme, sans pour autant pouvoir s'appuyer sur une perspective globale — une récapitulation des chiets que les facteurs démographiques pourraient avoir sur la santé financière à long terme du gouvernement.

6.5 La nécessité de diffuser de l'information pertinente atin d'aider les parlementaires à bien saisur la situation financière du gouvernement est une responsabilité et un thème sur lesquels nous avons insisté au cours des six dernières années. Le présent chapitre, qui montre qu'il est possible de communiquer de l'information à long terme, en insistant sur l'importance d'une telle information, fait suite aux chapitres « Information destinée au parlement » des rapports de 1993 et de 1995. Le présent chapitre se distingue par l'accent mis sur le rôle des facteurs démographiques dans l'évaluation de la situation financière du gouvernement.

Revenu Canada, ministère des Finances et ministère de la Justice

L'administration interministérielle du régime d'Impôt sur le revenu



Chapitre 5 - Points saillants

- 5.1 Trois ministères jouent un rôle de premier plan dans l'administration du régime d'impôt sur le revenu. Le ministère des Finances est chargé de formuler la politique fiscale et de présenter les nouvelles dispositions législatives concernant l'impôt: Revenu Canada voit à l'application des lois fiscales et le ministère de la Justice assure des services juridiques consultatifs et le contentieux à la fois pour le ministère des Finances et pour Revenu Canada.
- 5.2 Des relations efficaces et efficientes entre Revenu Canada, le ministère de la Justice et le ministère des Finances sont indispensables au fonctionnement harmonieux du régime d'impôt sur le revenu. Nous avons entrepris la présente vérification parce que nos travaux antérieurs avaient révélé des motifs d'inquiétude quant à la gestion des risques pour l'assiette fiscale. L'examen dont nous rendons compte ici nous a permis de constater que les trois ministères ont pris beaucoup de mesures importantes pour améliorer leurs relations. On nous a dit que la transformation projetée de Revenu Canada en Agence canadienne des douanes et du revenu n'affecterait en rien ces relations.
- 5.3 Déceler et combler les lacunes législatives constitue un élément majeur de la gestion des risques pour l'assiette fiscale. Nous avons constaté que Revenu Canada et le ministère de la Justice portent régulièrement de telles lacunes à l'attention du ministère des Finances. Toutefois, la décision de combler les lacunes législatives est laissée à la discrétion du ministère des Finances.
- Puisque les trois ministères jouent un rôle prépondérant dans la gestion des risques qui découlent des lacunes législatives, il importe que les trois prennent part au choix des questions qui devraient recevoir la priorité.
- 5.5 La gestion des risques liés au contentieux fiscal a été améliorée. Toutefois, Revenu Canada et le ministère de la Justice devraient renforcer leur entente de partenariat visant la planification des besoins en matière de contentieux et la gestion des risques connexes.
- 5.6 Des diffèrends relatifs à l'impôt sur le revenu ont été réglés au moyen de jugements convenus, en fonction de principes de droit combinés à des faits. Revenu Canada devrait donner accès à l'information concernant les ententes de règlement qu'il conclut. Par exemple, la législation des États-Unis en matière d'impôt sur le revenu prévoit que le public doit avoir accès à l'information sur les ententes de règlement, une fois retirées les indications relatives à l'identité du contribuable pour protéger sa vie privée.

Chapitre 4 - Points saillants (suite)

- 4.7 Sur les six projets, un seul a répondu à nos attentes en ce qui concerne l'établissement d'un processus rigoureux de gestion des risques. Jusqu'ici, aucun des projets que nous avons examinés n'a été sérieusement compromis à cause de cela, mais nous avons relevé plusieurs cas où une meilleure gestion des risques aurait pu améliorer l'exécution du projet.
- 4.8 Les processus d'essai et d'évaluation ont été satisfaisants dans la plupart des cas. Cependant, dans certains projets portant sur des équipements de modèle commercial, ce n'est qu'après leur mise en service que les équipements en question ont été testés dans des conditions d'utilisation réelles. Depuis, on a découvert des problèmes qui ont affecté la capacité opérationnelle de certains de ces équipements. Le Ministère s'efforce actuellement de résoudre ces problèmes.
- 4.9 En 1994, le Ministère a entrepris un vaste programme de renouveau de la gestion qui incluait la gestion de l'acquisition des biens d'équipement. Parce que d'autres questions étaient jugées plus importantes, le Ministère a retardé l'examen de ce dernier secteur, examen pour lequel n'existe pas encore de plan de mise en oeuvre. Le Ministère a entrepris l'élaboration d'un plan qui comporte notamment trois projets pilotes. L'acquisition de biens d'équipement étant un processus d'envergure gouvernementale, le Ministère, en collaboration avec Travaux publics et Services gouvernementaux Canada, Industrie Canada et le secteur privé, s'efforce d'améliorer les pratiques gouvernementales. Nous croyons que les ministères intéressés doivent établir un plan comportant des échéances précises pour mener à bien leur processus de réforme.

Défense nationale

Grands projets d'acquisition de biens d'équipement



Chapitre 4 - Points saillants

- 4.1 Le ministère de la Défense nationale (MDM) prévoit dépenser près de 6,5 milliards de dollars au cours des cinq prochaines années pour acheter les biens d'équipement dont les Forces armées canadiennes ont besoin pour remplir les tâches qui leur sont confrées. Comme nous l'indiquons au chapitre 3, le budget dont dispose le Ministère à cette fin ne sera peut-être pas suffisant pour équiper et moderniser la force prévue actuellement.
- 4.2 Le présent chapitre expose nos constatations sur la gestion de six grands projets d'acquisition de biens d'équipement d'une valeur totale de 3,3 milliards de dollars.
- 4.3 Pour chacun des six projets que nous avons examinés, il est probable que les objectifs de coût et de rendement établis dans le contrat seront atteints. Par exemple, le missile antichar Eryx et le véhicule de reconnaissance Coyote semblent fonctionner particulièrement bien, et des forces armées étrangères s'y intéressent. Néanmoins, plusieurs pratiques de gestion que nous avons observées nous semblent préoccupantes.
- 4.4 Nous avons constaté que la politique de défense laisse beaucoup de latitude au Ministère lorsqu'il s'agit de déterminer le niveau d'équipement requis. De plus, nous avons constaté, pour ce qui est des projets examinés, que le manque de moyens financiers a mené à l'achat de matériel bas de gamme seulement et/ou à des restrictions quant au nombre d'articles achetés :
- Pour 12 de ses navires de défense côtière, le Ministère a acheté deux unités d'un dispositif de dragage mécanique qui n'est efficace que contre certains types de mine. De plus, il n'a pas acheté tout l'équipement dont ces navires auraient besoin pour patrouiller efficacement la nuit et dans des conditions de faible visibilité.
- Le char Leopard C1 n'a été doté que d'un viseur amélioré, bien que l'armée de terre ait établi qu'une modernisation complète (y compris celle du canon et du blindage) constituait le « minimum acceptable ».
- L'hélicoptère Griffon ne peut pas répondre aux exigences initiales de l'armée de terre en ce qui concerne la capacité d'emport et le matériel de communications.
- Dans le cas du système d'arme Eryx et des véhicules Coyote, le Ministère a acheté moins d'unités que ce qui était prévu initialement.
- A.5 Nous sommes inquiets de la mesure dans laquelle le Ministère se fie au jugement professionnel de son personnel lorsqu'il prend des décisions complexes d'achat. Dans la plupart des projets que nous avons examinés, la direction n'a pas effectué d'analyses adéquates pour justifier ses décisions d'achat. Dans bien des cas, les études tactiques n'ont pas tenu compte de l'usage que l'on voulait faire de l'équipement au Ministère, ont été faites trop tard pour influencer les décisions, ont produit des résultais contraires à ceux que prévoyait la décision d'achat, ont été menées par des entrepreneurs qui avaient un intérêt dans la décision du Ministère, ou n'ont pas été faites du tout.
- 4.6 Dans trois cas, le Ministère a examiné une seule option. Dans d'autres cas, l'analyse des options a été inadéquate.

Défense nationale

Equiper et moderniser les Forces canadiennes



Chapitre 3 – Points saillants

- 3.1 Une force moderne, polyvalente et apte au combat, capable de « se battre aux côtés des meilleurs, contre les meilleurs », voilà ce dont le Canada a besoin pour remplir les engagements de sa politique de défense. Celle-ci n'exige pas toutefois que les Forces canadiennes possèdent tous les éléments de la panoplie militaire.
- 3.2 Selon les représentants du ministère de la Défense nationale, les engagements pris dans le Livre blanc du Canada sont définis en fonction des capacités de défense des Forces canadiennes. Or, nous avons constaté, sur le plan de l'équipement, de nombreuses lacunes qui restreignent ces capacités.
- 3.3 Si le statu quo persiste, les fonds dont le Ministère dispose pour les dépenses en capital ne seront peut-être pas suffisants pour équiper et moderniser la force, comme le prévoit actuellement la Défense nationale. Les responsables nous ont indiqué qu'ils devraient être en mesure d'accroître la part du budget consacrée aux dépenses en capital. Méanmoins, ils s'attendent à ce qu'il faille procéder à des choix difficiles.
- 3.4 Les coûts liés au personnel, au fonctionnement et à l'entretien sont à la hausse, ce qui réduit davantage la portion du budget consacrée aux biens d'équipement.
- Nous avons constaté que le Ministère n'a pas de cadre stratégique adéquat pour administrer le montant de quelque 1,4 milliard de dollars qu'il dépense chaque année afin de moderniser l'équipement. Il n'a pas encore de scénarios opérationnels bien établis pour orienter les planificateurs, et il ne dispose pas d'information sur le rendement qui permette de déterminer les écarts.
- 3.6 Certains pays notamment les Etats-Unis et la Nouvelle-Zélande ont fait figure de proue dans la façon dont les systèmes de budgétisation et de gestion de leur gouvernement assurent une gestion active de la politique et des ressources en matière de défense.

Les réductions des dépenses et des effectifs dans certains ministères



Chapitre 2 - Points saillants

- 2.1 À la suite d'une longue période de restrictions financières et des récents programmes de réduction des dépenses, quelques organismes fédéraux ont été abolis, certains ministères ont été fusionnés, d'autres ont été comprimés. On estime que les effectifs du secteur public auraient diminué d'environ 45 000 fonctionnaires entre avril 1995 et mars 1998.
- Pour les besoins de nos travaux de vérification sur l'ampleur des réductions des dépenses et sur la façon dont elles ont été appliquées, nous avons choisi sept ministères fédéraux. Ces derniers, qui emploient plus de 170 000 employés, avaient des effectifs, une structure et des objectifs de réduction différents.
- 2.3 En général, les ministères que nous avons examinés ont effectué les réductions des dépenses et des effectifs voulues en 1995–1996 et en 1996–1997. Compte tenu des progrès qu'ils ont réalisés à ce jour, nous nous attendons à ce que la plupart d'entre eux atteignent les objectifs de réduction qui leur ont été fixés pour les deux dernières années de l'Examen des programmes.
- Nous avons constaté que l'engagement des ministres et le leadership des ministères avaient contribué manifestement à imprimer une direction aux programmes de réduction et à leur donner de l'élan. Des facteurs tels que l'envergure des réductions, la préparation au changement et le temps accordé pour planifier ont eu une incidence sur la planification stratégique des réductions dans les ministères. Dans l'ensemble, les réductions ont été appliquées de façon rigoureuse et les employés ont été bien informés, tant avant que pendant le processus de réduction.
- Bien que la plupart des objectifs de réduction aient été atteints et que nous ayons noté une amélioration en ce qui concerne l'observation des politiques de réduction des effectifs depuis la parution de notre chapitre dans le Rapport de 1992, intitulé « Paiements versés aux employés en vertu de la Politique sur le réaménagement des effectifs », nous avons constaté que certains ministères avaient pris des mesures d'encouragement n'était pas toujours bien documentée, et certains ministères avaient tendance à mesures d'encouragement n'était pas toujours bien documentée, et certains ministères avaient tendance à mesures d'encouragement n'était pas toujours bien documentée, et certains ministères avaient tendance à mesures d'encouragement n'était pas toujours pien documentée, et certains ministères avaint tendance à mesure reconnues, une organisation devrait effectuer une analyse approfondie des coûts et des avantages des solutions de trechange, axer les mesures d'encouragement sur les secteurs qui en ont le plus besoin et déterminer la mesure dans laquelle il est nécessaire de demander des volontaires.
- Les ministères se sont efforcés principalement d'atteindre leurs objectifs de réduction en temps voulu, en se souciant moins de la gestion des coûts. Divers facteurs ont contribué à cette absence générale de préoccupation des coûts dans les ministères : ces derniers ne disposaient pas, au début, des renseignements nécessaires sur les finances et les ressources humaines; ils n'avaient pas à financer entièrement les mesures d'encouragement au départ qu'ils appliquaient; la structure établie par le Secrétariat du Conseil du Trésor pour rendre compte des coûts des réductions des effectifs dans les ministères n'était pas claire.
- Tout au long de la période des réductions des effectifs, les ministères ont fait preuve de compassion et de sensibilité envers les employés qui quittaient la fonction publique. En général, ils n'ont pas accordé autant d'attention aux employés qui demeuraient en poste et à leurs préoccupations au sujet de la perte de collègues expérimentés et qualifiés, de la charge de travail de chaque employé et de l'orientation future du ministère. Alors qu'ils entreprennent maintenant une période de transition, les ministères devront non seulement rajuster leurs structures et leurs activités organisationnelles, mais aussi veiller à ce qu'ils puissent compter sur les effectifs dont ils autont besoin pour exercet leurs fonctions dans les années à venir.

Les réductions des dépenses et des effectifs au sein de la fonction publique



Chapitre 1 - Points saillants

- 1.1 Voici maintenant plus de dix ans que la fonction publique et les fonctionnaires sont touchés par des réductions des dépenses et des effectifs. En 1995, le gouvernement a lancé l'Examen des programmes, dont l'objectif était de repenser et de restructurer les programmes gouvernementaux en fonction des restrictions financières.
- 1.2 Afin de mieux gérer les réductions des dépenses et des effectifs, les organismes centraux ont cessé d'imposer, de réglementer et de donner des instructions au profit d'une approche consistant à donner l'orientation à suivre et à fournir de l'aide et des conseils aux ministères. Par exemple, au lieu d'adopter une approche « unique », le Secrétariat du Conseil du Trésor a proposé un cadre de gestion et de responsabilisation aux ministères et a permis que les programmes d'encouragement au départ tiennent compte du contexte et du milieu opérationnel propres à chaque ministère.
- 1.3 L'Examen des programmes a été un succès à de nombreux égards. Le déficit a été réduit et les frais de personnel ont baissé pour la première fois en plus de dix ans. En dépit d'un climat difficile, les réductions ont été mises en oeuvre sans arrêts de travail importants; en outre, les mesures financières d'encouragement au départ ont permis de minimiser le recours aux mises en disponibilité.
- Toutefois, le coût des réductions des effectifs a été élevé sur le plan tant financier qu'humain. Par exemple, entre 1992 et 1997, le gouvernement a versé des indemnités à quelque 46 000 fonctionnaires, militaires et membres de la Gendarmerie royale du Canada qui ont quitté leur emploi ou pris leur retraite. Par ailleurs, les réductions des effectifs ont accru l'importance d'un certain nombre de questions touchant les ressources humaines, comme la nécessité de rajeunir et de renouveler la fonction publique, et la nécessité de moderniser et de simplifier les systèmes de ressources humaines. De nombreuses études et nos propres travaux de vérification montrent que la fonction publique est une institution qui est soumise à de fortes pressions, et indiquent que des mesures vigoureuses doivent être prises maintenant.
- Des améliorations importantes ont été apportées au cadre de gestion mis en place par les organismes centraux. Néanmoins, il faut redoubler d'effort pour améliorer la gestion des réductions des effectifs par exemple, dans les groupes professionnels essentiels au sein desquels des employés peuvent être excédentaires dans certains ministères et demandés dans d'autres.
- 1.6 Il faut renforcer la reddition de comptes au Parlement sur les réductions des dépenses et des effectifs, et les coûts qui s'y rattachent. Il y a lieu également de clarifier le rôle, les responsabilités et l'obligation de rendre compte des organismes centraux et des ministères pour ce qui est de la gestion des réductions des effectifs.

Table des matières

Page

68

	*			
a préparation à administration		50		
ar Internet	d			
e commerce éla	I	61		
	some q			
8661 ordmo	99(I -	Points saillants		

67

38	Suivi des recommandations formulées dans des rapports antérieurs	82
36	Les subventions et les contributions : certains programmes d'Industrie Canada et du ministère du Patrimoine canadien	L7
34	La passation des marchés de services professionnels : certains contrats à fournisseur unique	97
33	Transports Canada – Les investissements dans les routes	52
18	Revenu Canada – Direction de l'impôt international : la gestion des ressources humaines	77
30	Anciens Combattants Canada - Les pensions d'invalidité	23
67	La Stratégie fédérale en matière de sciences et de technologie : suivi des progrès	77
87	Agence canadienne de développement international – Les programmes géographiques	17
LZ	La préparation à l'an 2000 : les systèmes essentiels à la mission de l'administration fédérale	50
97	Le commerce électronique : la conduite des affaires du gouvernement par Internet	61

Autres observations de vérification

Table des matières

Page

Office national de l'énergie 13 18 La création de l'Agence canadienne d'inspection des aliments LI 17 91 Agriculture et Agroalimentaire Canada - Le programme des avances en espèces H SI Comité du tribunal des droits de la personne Commission canadienne des droits de la personne 01 emiqual') Points saillants - Septembre 1998 respecter des normes comptables objectives 17 La présentation des résultats financiers du gouvernement : l'importance de 6 EI Ministère des Finances - Mesurer l'efficacité et en rendre compte 8 15 de santé humaine et animale Le projet de construction d'un complexe de laboratoires fédéraux L П comprendre les choix Le vieillissement de la population et l'information destinée au Parlement : pour 9 10 interministérielle du régime d'impôt sur le revenu Revenu Canada, ministère des Finances et ministère de la Justice - L'administration ς Désense nationale - Grands projets d'acquisition de biens d'équipement 8 1 Défense nationale - Équiper et moderniser les Forces canadiennes 3 9 Les réductions des dépenses et des effectifs dans certains ministères 7 5 Les réductions des dépenses et des effectifs au sein de la fonction publique (hapitre 8991 linvA - stnslliss stnio9

La Stratégie d'information financière : un outil essentiel pour repenser

Affaires indiennes et du Nord Canada - Les revendications territoriales globales

Conseil d'examen du prix des médicaments brevetés

Revenu Canada - Promouvoir l'intégrité au sein du Ministère

La gestion du numéro d'assurance sociale

le rôle de l'État

81

LI

91

SI

ÞΙ

77

23

17

07

6Ī



Points saillants



Possinintes d'économies

Améliorer l'efficience et l'efficacité des activités gouvernementales et se soucier davantage de l'économie sont des objectifs essentiels à notre mandat et aux travaux que le Bureau effectue. Une façon de promouvoir ces objectifs est de signaler des possibilités d'économies précises. Voici des exemples extraits du Rapport de cette année:

- Défense nationale Équiper et moderniser les Forces canadiennes Chapitre 3. Dans le cadre de ses efforts de renouvellement, de la Défense nationale cherche des façons d'améliorer la productivité et de diminuer le coût de ses activités. Une option envisagée est la réduction de la fréquence des mutations de personnel. Selon les prévisions du Ministère, cela pourrait permettre d'épargner environ 100 millions de dollars par année.
- Le projet de construction d'un complexe de laboratoires fédéraux de santé humaine et animale Chapitre 7. Ce projet de construction à Winnipeg aurait pu être réalisé avec au moins cinq à dix millions de dollars de moins que le coût total du projet, estimé à 176 millions de dollars. Rapport du commissaire à l'environnement et au
- Rapport du commissaire à l'environnement et au développement durable de 1998. Des indicateurs communs pour la communication de l'information sur la performance environnementale pourraient faciliter repères utiles pour susciter des réductions de coûts. Selon une étude récente, la mise en oeuvre de mesures de conservation de l'énergie dans l'ensemble de l'administration fédérale pourrait permettre de réaliser des économies nettes de 29 millions de dollars par année à compter de l'an 2005.

gouvernements. pourrait représenter des coûts importants pour les incidence relativement faible de fraudes et d'abus les paliers de gouvernement) au point que même une 100 milliards de dollars en paiements annuels pour tous dus. Les sommes en jeu sont énormes (environ gamme d'avantages sociaux et pour cotiser les impôts d'identification pour vérifier l'admissibilité à une large d'assurance sociale est utilisé comme code plus que de Canadiens âgés de 20 ans ou plus. Le numéro quatre millions de numéros d'assurance sociale actifs de sociale, nous signalons qu'il existe près de dans le chapitre 16, La gestion du numéro d'assurance importantes, ne sont pas faciles à quantifier. Par exemple, possibilités d'économies qui, bien qu'elles soient Souvent, au cours de nos travaux, nous décelons des

Une approche stratégique du développement durable

Les organisations tant des secteurs privé que public font l'objet de pressions accrues pour améliorer leur performance environnementale et contribuer au développement durable. Le gouvernement fédéral a parfois dirigé l'action du secteur privé conformément à son rôle d'organisme de réglementation, alors qu'à don rôle d'organisme de réglementation, alors qu'à d'autres moments, il a fait du rattrapage pour adopter des pratiques ayant déjà pris racine ailleurs.

En tant que plus grande entreprise au Canada, le gouvernement fédéral est en position unique pour donner l'exemple en améliorant sa performance environnementale dans des domaines comme les achats, la gestion des déchets et l'utilisation de l'eau, de l'énergie et des terres.

Cependant, l'incidence du gouvernement sur l'environnement s'étend bien au-delà de son rôle comme employeur et consommateur. Sa principale incidence découle du grand nombre de décisions stratégiques et de décisions relatives aux programmes qu'il prend et qui ont un effet sur la façon dont les producteurs et les consommateurs, individuellement, influent sur l'environnement. Les coûts élevés d'assainissement et les dommages causés à l'environnement dans les étangs bitumeux de Sydney, à l'île du Cap-Breton, illustrent quelques-unes des conséquences de l'imprévoyance dans ce domaine.

Vingt-huit organisations fédérales ont maintenant préparé leur stratégie de développement durable et l'ont déposée les ratatégies des communes. Au moyen de leur stratégie, les ministères doivent s'efforcer d'intégrer de façon plus systématique des considérations environnementales, économiques et sociales à l'ensemble de leurs activités, c'est-à-dire leurs politiques, leurs programmes et leurs opérations quotidiennes.

Il y a un an, j'ai dit que l'un des enjeux pour le gouvernement fédéral était d'aller au-delà de la rhétorique du développement durable et de mettre l'accent sur la mise en oeuvre dans la pratique. Le commissaire à l'environnement et au développement durable fera rapport sur la mesure dans laquelle les ministères ont fait ce qu'ils ont dit qu'ils feraient.

Pour en savoir davantage, voir la publication du vérificateur général : Rapport du commissaire à l'environnement et au développement durable de 1998.

Le bogue du millénaire : encore une menace

Le problème du passage à l'an 2000, aussi connu sous le vocable bogue du millénaire, désigne les possibilités de défaillance des systèmes informatiques à l'aube de l'an 2000. Le problème vient de la pratique utilisée couramment par les programmeurs informatiques dans le passé (adoptée pour des raisons d'économie) de représenter l'année par deux chiffres uniquement. Les ordinateurs encodés de la sorte ne seront pas en mesure de distinguer l'an 2000 de l'année 1900. Ils pourraient donc tomber en panne ou mal fonctionner. La possibilité d'un bouleversement général en raison de ces pannes est importante.

En 1997, en fonction des résultats d'une vérification que nous venions de terminer, je craignais que les progrès réalisés par le gouvernement pour préparer ses systèmes à l'an 2000 ne soient trop lents. Dans un suivi effectué cette année, nous avons constaté que le rythme des projets de préparation à l'an 2000 s'est accéléré et que beaucoup de progrès ont été accomplis. Mais il reste encore beaucoup à faire.

Le Secrétariat du Conseil du Trésor mène des enquêtes auprès des ministères et des organismes sur les systèmes qui appuient les nombreuses fonctions essentielles à la mission de l'administration fédérale. Sa plus récente enquête, terminée en juin 1998, montre que la préparation de nombreux systèmes était en retard par rapport à un calendrier déjà serré. Cette année, les constatations de notre vérification révèlent que trois des six fonctions essentielles à la mission que nous avons examinées, demeurent à risque. Je crains fort que les systèmes qui appuient de nombreuses fonctions essentielles à la mission fédérale ne soient pas prêts à temps pour l'an 2000.

Le problème de l'an 2000 en est un pour lequel les solutions ne peuvent être reportées. Le gouvernement doit continuer d'y accorder une priorité très élevée et intensifier ses efforts pour mettre à jour ses systèmes et les préparer à l'an 2000. Il doit également prévoir des plans d'urgence pour faire en sorte que les services plans d'urgence pour faire en sorte que les services

Pour en savoir davantage, voir les publications du vérificateur général: La préparation à l'an 2000: les systèmes essentiels à la mission de l'administration fédérale (Chapitre 20 du Rapport de 1998); Les technologies de l'information — La préparation à l'an 2000 (Chapitre 12 du Rapport de 1997).

La Stratégie fédérale en matière de sciences et de technologie : suivi des progrès

Dans une série de rapports au cours de la majeure partie de la décennie, mon bureau a encouragé le gouvernement à améliorer la gestion de ses activités de sciences et de technologie. Le gouvernement fédéral a dévoilé sa nouvelle stratégie en matière de sciences et de technologie en mars 1996, dans le but d'encourager la recherche scientifique et l'application de la technologie dans le meilleur intérêt des Canadiens. Nous craignons à cette étape que la Stratégie ne perde son élan initial, comme étape que la Stratégie ne perde son élan initial, comme cela a été le cas par le passé pour d'autres initiatives.

Pour cette raison, nous avons examiné l'état d'avancement des travaux réalisés par le gouvernement pour mettre en oeuvre la Stratégie. Ce faisant, nous avons retenu les messages de nos travaux précédents, notamment la nécessité d'effectuer des recherches fonction d'un mandat et axées sur les résultats, d'établir clairement les responsabilités et de mettre l'accent sur le rendement.

Les résultats de notre vérification, présentés dans le chapitre 22 de ce rapport, révèlent que le gouvernement tarde à établir un nouveau système de régie des activités de sciences et de technologie et qu'il n'a pas encore respecté tous les engagements qu'il a pris aux termes de la Stratégie. Par conséquent, le régime établi pour gérer les activités fédérales de sciences et de technologie ne donne pas encore les résultats prévus — à savoir, assurer des priorités claires, des efforts concertés et des rapports complèts sur le rendement.

Pour réaliser la mise en oeuvre de la Stratégie comme prévu, le gouvernement doit établir clairement les mesures à prendre et fournir le leadership nécessaire pour qu'elles soient prises. Dans un monde axé sur l'information, il est d'une importance primordiale que les programmes de sciences et de technologie fonctionnent bien.

Pour en savoir davantage, voir les publications du vérificateur général: La Stratégie fédérale en matière de sciences et de technologie: suivi des progrès (Chapitre 22 du Rapport de 1998); Les activités fédérales dans le domaine des sciences et de la technologie — Suivi activités fédérales dans le domaine des sciences et de la technologie (Chapitre 15 du Rapport de 1994); La gestion des activités scientifiques et technologiques dans les ministères et organismes (Chapitre 10 du Rapport de 1994), Autre publication: Les sciences et la technologie à l'aube du XXI^e siècle: La stratégie fédérale (mars 1996).

Examen de l'obligation de déclarer les biens étrangers déterminés

Le 19 décembre 1997, le gouverneur général en conseil, sur la recommandation du ministre des Finances et du ministre du Revenu national, m'a demandé d'examiner l'obligation selon l'article 233.3 de la Loi de l'impôt sur le revenu de déclarer des biens étrangers déterminés. Mon rapport d'examen a été déposé à la Chambre des communes le 5 juin 1998.

autres recommandations. Cependant, le gouvernement a accepté la plupart de nos questions, sans fournir de détails sur leurs biens). contribuables qu'ils répondent oui ou non à une série de la forme de cases à cocher (qui exige simplement des gouvernement a opté pour un régime de déclaration sous conséquent, désappointé de constater que le l'exigence de déclaration actuelle. Je suis, par conclu qu'aucun d'entre eux n'était aussi efficace que également examiné des mécanismes de rechange et avons cotisations calculées par les contribuables. Nous avons des renseignements qui lui permettent de valider les provenance étrangère et pour fournir à Revenu Canada rendent obligatoire la déclaration des revenus de mieux faire observer les dispositions législatives qui dans le cadre d'une stratégie d'ensemble, à la fois pour biens étrangers déterminés était un mécanisme approprié, Nous avons conclu que l'exigence de déclaration des

Cet examen nous a fourni l'occasion unique de solliciter le point de vue de Canadiens et de fiscalistes étrangers sur la question. Bon nombre de ceux qui nous ont fait parvenir des mémoires ont formulé des préoccupations sérieuses et profondes au sujet de la protection des renseignements personnels et des questions d'économie et d'investissements. Nous avons étudié ces nombre d'entre elles avaient trait aux taux d'imposition, à l'obligation de payer de l'impôt sur le revenu de toutes provenances et à une mauvaise compréhension du régime provenances et à une mauvaise compréhension du régime fiscal canadien plutôt qu'à l'obligation de déclaration que mous devions examiner.

Pour en savoir davantage, voir la publication du vérificateur général : Examen de l'obligation de déclarer les biens étrangers déterminés prévue par l'article 233.3 de la Loi de l'impôt sur le revenu (Rapport de 1998 aux ministres des Finances et du Revenu national).

Annexe du chapitre : d'autres questions récentes et certaines qui posent toujours problème

Promotion de l'intégrité au sein de Revenu Canada

Evaluations de l'information sur le rendement

L'éthique dans le secteur public est un thème qui a toujours intéressé le Bureau. En 1995, nous avons fait état de travaux que nous avons réalisés sur l'intégrité dans le secteur public. L'objectif était de clarifier davantage les principaux éléments de la prise de décision intègre. L'étude proposait un cadre d'éthique pour le secteur public fondé sur le principe que « la

fonction publique est un bien public ».

En septembre de cette année, nous avons rendu compte de la façon dont Revenu Canada encourage l'intégrité chez ses employés. Nous avons constaté que le Ministère reconnaît l'importance d'une culture d'intégrité bien vivante pour assurer le succès de ses activités et qu'il a adopté des mesures pour maintenir un milieu de travail qui appuie ce genre de culture. Outre les procédures courantes d'enquête sur la mauvaise conduite, l'imposition de mesures disciplinaires aux contrevenants et la correction des faiblesses cernées, ces contrevenants et la correction des faiblesses cernées, ces

principes qui font partie de l'équité dans les l'incorporation de l'intégrité et de l'équité dans les l'incorporation du l'incorporation de l'intégrité et de l'équité dans les l'incorporation du l'incorporation de l'intégrité et de l'équité dans les limites du l'incorporation de l'intégrité et de l'équité dans les limites du l'incorporation de l'incorpo

- Ministère;
 la diffusion de règles de conduite écrites à tout le personnel:
- personnel;
 la formation au sujet du comportement attendu des
 employés.

Ces mesures sont conformes au cadre proposé dans notre étude de 1995 et constituent un fondement solide pour la promotion de l'intégrité à Revenu Canada.

La vérification a également permis de cerner des secteurs susceptibles d'améliorations pour renforcer ce fondement. Plus particulièrement, les règles de conduite pourraient être plus claires et leur justification pourrait nommer un conseiller en matière d'éthique que les employés pourraient consulter à titre confidentiel et qui pourrait agir comme défenseur des mesures visant à promouvoir l'intégrité au sein du Ministère.

Le fait d'avoir des normes d'éthique n'est pas suffisant pour assurer un rendement en matière d'éthique, mais c'est une étape nécessaire. Les initiatives prises par Revenu Canada en ce domaine constituent des exemples que les autres ministères deviraient envisager de suivre.

Pour en savoir davantage, voir la publication du vérificateur général : Revenu Canada — Promouvoir l'intégrité au sein du Ministère (Chapitre 15 du Rapport de 1998).

Pour la première fois, mon bureau est tenu par la loi de fournir une évaluation de l'information sur le rendement communiquée par un nouvel organisme de prestation de services, l'Agence canadienne d'inspection des aliments (ACIA). On envisage l'adoption d'exigences législatives semblables pour deux autres l'adoption d'exigences législatives semblables pour deux autres l'Agence des douanes et du revenu du Canada.

En vertu de la Loi sur l'Agence canadienne d'inspection des aliments, je dois évaluer la justesse et la frabilité de l'information sur le rendement communiquée dans le rapport annuel de l'Agence en fonction des objectifs établis dans son plan d'entreprise. Ma première évaluation a été incluse dans le rapport annuel de l'Agence de cette année. Une évaluation indépendante a pour but d'ajouter de la crédibilité à l'information qu'une organisation communique sur son rendement.

Cette première évaluation a constitué un bon apprentissage tant pour l'Agence que pour le Bureau. Nous avons constaté un intérêt accru pour cette forme d'assurance dans certaines provinces et dans d'autres pays. Comme je l'ai déjà indiqué, je suis disposé à envisager d'effectuer davantage de travaux de ce genre s'ils sont utiles pour le Parlement et le gouvernement.

Je reconnais que les ministères et les organismes fédéraux poursuivent actuellement leurs efforts pour mettre au point les rapports sur le rendement. À mon avis, il est essentiel que la qualité de ces rapports s'améliore plus rapidement; le Parlement et le public ne devraient pas avoir à attendre longtemps pour que des rapports de qualité deviennent la norme.

Je continuerai d'insister pour que les rapports et la reddition de comptes s'améliorent, de même que d'y contribuer, lorsque possible. Le Parlement et les ministres ont un rôle important à jouer eux aussi; dans d'autres administrations, il a fallu les pressions concertées des dirigeants politiques pour obtenir de bons rapports sur le rendement.

Pour en savoir davantage, voir : L'Evaluation par le avrificateur général de l'information sur le rendement (Rapport annuel de 1997–1998 de l'Agence canadienne d'inspection des aliments).

un régime redditionnel transparent et significatif qui fournit aux
 Canadiens l'assurance que leurs opinions comptent et que leurs taxes sont utilisées sagement.

Les restrictions des ressources ont permis ces dernières années de rationaliser l'administration fédérale qui est alors devenue plus efficiente, plus transparente et davantage axée sur les besoins. Le défi consiste maintenant à profiter de cet élan pour continuer à améliorer le rendement. C'est un défi de taille, mais qu'il faut relever. Le succès va bien au-delà de l'optimisation de l'argent des contribuables, bien que cela en fasse manifestement partie. Le succès veut dire bâtir un meilleur pays et une société démocratique plus saine. En améliorant son rendement, le secteur public peut aider à redonner confiance dans le gouvernement, le secteur public peut aider à redonner des années d'attentes déçues. Au fil du temps, cela se traduira par un gouvernement de plus en plus efficace et des institutions publiques de plus en plus fortes pour nos enfants et les enfants de nos enfants.

prestation à celles de l'ensemble du secteur public, et sur la façon d'assurer la reddition de comptes au Parlement et de veiller à la protection de l'intérêt public. Il faut trouver réponse à ces questions si l'on veut que les nouveaux modes tiennent toutes leurs promesses.

Pour en savoir davantage, voir les publications du vérificateur général: L'évaluation des nouveaux modes de prestation de services (document de discussion, juin 1998); La création de l'Agence canadienne d'inspection des aliments (Chapitre 12 du Rapport de 1998); La communication de l'information sur le rendement dans le Système de gestion des dépenses (Chapitre 5 du Rapport de 1997); Transports Canada — La commercialisation du système de navigation aérienne (Chapitre 19 du Rapport de 1997).

Condusion

Au cours des dernières années, la compression des dépenses publiques et la réforme du secteur public ont été suscitées en grande partie par la nécessité de réduire les énormes déséquilibres budgétaires qui menaçaient souvent de incitations à tenir compte des coûts et à faire preuve de frugalité étaient naturellement présentes. Avec l'élimination du déficit l'an dernier, il est clair que ces pressions sont moindres.

Dans ce nouveau contexte, où la recherche de l'efficience et de l'économie peut ne pas paraître aussi pressante, les pressions compensatoires qu'un bon système de gestion et d'information dans le secteur public peut apporter revêtent une importance nouvelle. Les éléments d'un tel système sont :

- un processus budgétaire qui nous rappelle de tenir compte du long terme;
- des cadres de régie interne qui encouragent la transparence et le bon rendement;
- une culture de la fonction publique et des structures d'incitatifs qui encouragent l'innovation, la créativité et le souci continu de l'intérêt
- des systèmes comptables et de gestion de l'information qui produisent de l'information fiable pour la prise des principales décisions sur

l'affectation et la gestion des ressources;

l'intégration efficace de la gestion des ressources humaines aux autres fonctions du secteur public afin de garantir les effectifs nécessaires pour appuyer les réformes prévues et de tenir compte des préoccupations des employés au sujet de ces réformes;

ententes-cadres plus explicites qui précisent les objectifs et les mesures de rendement et qui prévoient moins de discrétion ministérielle. L'objectif

prépondérant de tous ces mécanismes est d'améliorer la prestation des services en conférant à l'organisme de prestation plus de souplesse et de meilleurs incitatifs, tout en maintenant un contrôle adéquat sur l'utilisation des fonds publics.

Quel que soit le type d'organisme utilisé pour assurer un service, quand celui-ci nécessite des ressources et des pouvoirs fédéraux, les Canadiens ont le droit de s'attendre à une reddition de comptes au moyen de rapports complets et fidèles au Parlement. En sortant du modèle

En sortant du modèle ministèriel traditionnel, les nouveaux modes de prestation pourraient, s'ils ne sont pas conçus adéquatement, diluer la reddition de comptes et affaiblir les valeurs de la fonction publique.

valeurs de la fonction publique. L'expérience d'autres administrations avec ces nouveaux modes de prestation montre que le maintien de la reddition de comptes et de la cohésion pose un défi constant.

Pour aider le Parlement, mon bureau a proposé un cadre en quatre points

ministériel traditionnel, les nouveaux modes de prestation pourraient, s'ils ne sont pas conçus adéquatement, diluer la reddition de comptes et affaiblir les

Pour sider le Parlement, mon bureau a proposé un cadre en quatre points pour évaluer les propositions de nouveaux modes de prestation, en faisant écho aux quatre principes d'une régie efficace discutés à la page 12 :

- L'atteinte des objectifs. Le nouvel organisme est-il susceptible d'offrir de meilleurs services? Atteindra-t-il ses objectifs de façon rentable et sans incidence négative indue?
- Da reddition de comptes. Dans l'utilisation des ressources et des pouvoirs fédéraux, a-t-on prévu toutes les mesures nécessaires pour assurer la reddition de comptes au ministre responsable et au Parlement?
- et le public reçoivent l'information essentielle?
- La protection de l'intérêt public, Le nouvel organisme reconnaît-il et protège-t-il adéquatement le but essentiel de la politique fédérale d'intérêt public.

Les nouveaux modes de prestation promettent d'offrir, de façon plus efficiente, un service plus ciblé, plus souple et davantage axé sur la clientèle que les ministères traditionnels. Parallèlement, ils peuvent entraîner des changements importants dans les rôles et les responsabilités des ministres et dans la relation entre les fournisseurs de services et les organismes centraux et le Parlement. Ces changements, pour leur part, soulèvent d'importantes et le Parlement. I'intégration des activités des nouveaux organismes de questions sur l'intégration des activités des nouveaux organismes de

communiquée au Parlement devient également accessible au grand public, ce qui contribue à mieux l'informer et à lui permettre de participer davantage au processus gouvernemental.

Des pas importants ont été franchis en ce sens récemment. Les rapports sur le rendement déposés à l'automne et les rapports sur les plans et les priorités déposés au printemps en sont des exemples notables. Ce sont des initiatives conçues pour améliorer l'information communiquée au Parlement et permettre une plus grande participation à la politique publique et à la gestion des affaires publiques.

Il est encore trop tôt pour juger du succès de ces initiatives. Je m'attends à ce que la qualité de l'information communiquée s'améliore dans le temps, au

fur et à mesure qu'on tirera des leçons de l'expérience et qu'on s'engagera plus à fond envers les résultats et le rendement. Les parlementaires peuvent accélérer le processus en utilisant efficacement cette information. Plus ils manifesteront d'intérêt envers ces nouveaux rapports ministériels, plus les ministères seront incités à en améliorer la qualité. L'information de meilleure gestion, en facilitant la participation d'un plus grand éventail de parties intéressées et en incitant les fonctionnaires à mettre l'accent sur les résultats qui comptent pour les mettre l'accent sur les résultats qui comptent pour les Canadiens.

Je m'attends à ce que la qualité de l'information communiquée s'améliore dans le temps, au fur et à mesure qu'on tirera des leçons de l'expérience et qu'on s'engagera plus à fond envers les résultats et le rendement.

particuller

Au fur et à mesure que le gouvernement réévalue son rôle afin de vivre selon ses moyens, il a de plus en plus recours à d'autres mécanismes que les ministères pour assurer les services. Ces nouveaux mécanismes de prestation de services prennent diverses formes. Il peut s'agir d'organismes de services spéciaux au sein du gouvernement, d'ententes de partenariat avec d'autres paliers de gouvernement ou avec des participants de l'extérieur du gouvernement, ou de la commercialisation des services. Bien que le concept général ne soit pas nouveau, le gouvernement compte de plus en plus sur les nouveaux modes de prestation pour assurer des services autrefois offerts par nouveaux modes de prestation pour assurer des services autrefois offerts par les ministères.

Ces mécanismes sont habituellement plus spécialisés que les ministères et jouissent de plus d'autonomie dans l'utilisation des ressources humaines et financières. Le contrôle gouvernemental est généralement exercé par des

en avril dernier, mettent en lumière la nécessité de voir à ce que les effectifs correspondent aux besoins futurs. Dans le cadre du programme offrant des primes de départ anticipé, on n'a pas toujours déterminé avec précision les types d'employés qui seraient nécessaires à l'avenir. L'encadré présente une liste de problèmes cernés par nos vérifications et qui doivent être réglés.

Il est inquiétant de constater que ces problèmes persistent. Ce n'est pas manque de consensus au sujet de la nécessité du changement. Ce n'est pas non plus parce que les problèmes viennent d'être décelés — les réductions des effectifs n'ont fait qu'amplifier des problèmes qui existent depuis de nombreuses années.

L'élimination, l'an dernier, du gel des salaires a supprimé un irritant majeur et une source de malaise chez les fonctionnaires. Une série d'initiatives visant à revitaliser la fonction publique sont également en cours, notamment La Relève. Mais on a le sentiment que les progrès sont lents, en partie parce qu'il ne semble pas y avoir de vision globale du rôle et de la composition de la fonction publique dans un secteur public réorganisé.

Pour définir cette vision, il faut trouver réponse à certaines questions difficiles. La fonction publique devrait-elle être gérées uniformément ou différentes parties de celle-ci devraient-elles être gérées autrement? Quels devraient être les rôles respectifs des organismes centraux et des ministères? Comment peut-on le mieux protéger les principes du mérite et de l'impartialité politique? Mais malgré ces difficultés, la définition de cette vision et la réforme du secteur public sont essentielles au succès du nouveau modèle de fonction publique que le gouvernement tente de créer. Si les problèmes liés aux ressources humaines ne sont pas réglés, la mise en oeuvre problèmes liés aux ressources humaines ne sont pas réglés, la mise en oeuvre d'autres réformes dans le secteur public a peu de chance de réussir.

Pour en savoir davantage, voir les publications du vérificateur général : Les réductions des dépenses et des effectifs au sein de la fonction publique (Chapitre 1 du Rapport de 1998); Les réductions des dépenses et des effectifs dans certains ministères (Chapitre 2 du Rapport de 1998).

Une reddition de comptes transparente et significative au Parlement

L'une des principales responsabilités du Parlement est de tenir le gouvernement responsable : en examinant les travaux des ministères et des organismes et en forçant le gouvernement à défendre ses politiques et sa gestion du trésor public. Pour faire ce travail efficacement, les parlementaires ont besoin d'information actuelle et pertinente sur les objectifs du gouvernement, les résultats attendus et le rendement réel. L'information

Pour en savoir davantage, voir les publications du vérificateur général: La Stratégie d'information financière: un outil essentiel pour repenser le rôle de l'État (Chapitre 18 du Rapport de 1998); La présentation des résultats financiers du gouvernement: l'importance de respecter des normes comptables objectives (Chapitre 9 du Rapport de 1997); La gestion d'un modèle de la capacité (Chapitre 2 du Rapport de 1997); La gestion de la fonction comptable du gouvernement au niveau des organismes centraux (Chapitre 3 du Rapport de 1997). Autre publication: Observations du vérificateur général (Comptes publics du Canada, Volume 1, Section 1, 1996 à 1998).

Une meilleure intégration de la gestion des ressources humaines aux réformes en cours dans le secteur public

L'un des plus gros défis de l'ère postdéficitaire concerne les ressources humaines dans la fonction publique et la façon dont elles sont gérées. Pour que le gouvernement puisse fonctionner adéquatement, il nous faut au Canada une fonction publique forte. Afin que les organisations gouvernementales puissent innover et offrir des services de grande qualité aux contribuables, la fonction publique doit être en mesure d'attirer et de retenir des personnes talentueuses. Ces ressources appréciables doivent donc être gérées adéquatement. Il faut pour cela un ensemble efficace d'éléments concrets, comme de bonnes politiques et de bons systèmes, et des éléments moins concrets, comme un leadership solide.

Lorsque je discute avec des hauts fonctionnaires, je constate beaucoup d'insatisfaction au sujet de l'état actuel de la gestion des ressources humaines dans l'administration fédérale. J'ai constaté — tout comme d'autres observateurs et représentants du gouvernement — que la fonction publique est une institution qui est soumise à de fortes pressions.

L'insatisfaction au sujet de la gestion des ressources humaines se traduit également par l'intérêt manifesté par les hauts fonctionnaires à l'égard des nouveaux modes de prestation de services. L'un des moteurs de cet intérêt est que les systèmes actuels de dotation en personnel, de classification et de rémunération sont trop lourds et n'offrent pas assez de souplesse. Le gouvernement doit veiller à ce que la course pour « sortir du système » veiller à ce que la course pour « sortir du système » n'empêche pas de le rationaliser.

La gestion des ressources humaines après une réduction d'effectifs pose un défi de taille. Nos vérifications de la réduction des dépenses et des effectifs au sein de la fonction publique, dont les résultats ont été communiqués

Principaux problèmes de gestion des ressources humaines qui doivent être réglés

- Moderniser et simplifier les systèmes de
- classification et d'évaluation des emplois

 Examiner les processus de formation, de
 recrutement et de transfert afin d'améliorer la
 mobilité et les possibilités de carrière
- Rajeunir et renouveler le personnel pour compenser les pertes d'employés expérimentés et trouver les nouvelles compétences nécessaires et trouver les nouvelles compétences nécessaires.
- Remédier aux pénuries de groupes spécialisés (spécialistes en informatique, ingénieurs,
- statisticiens, etc.)

 Mieux gérer la situation des employés qui restent

conformes aux recommandations du Conseil sur la comptabilité et la vérification dans le secteur public (CCVSP) de l'Institut Canadien des Comptables Agréés. Ces normes sont élaborées ouvertement, avec la pleine participation des milieux financiers et comptables et du secteur public, et selon un processus établi qui comprend la diffusion d'exposés-sondages et l'évaluation des réponses des parties intéressées.

Pourtant, pour la troisième année consécutive, je fais part de mon inquiétude au sujet du non-respect, par le gouvernement, des normes du CCVSP pour la comptabilisation de certaines dépenses dans les Comptes publics. Pour cette raison, j'ai dû formuler une restriction dans mon opinion sur les états financiers annuels du gouvernement des deux dernières années. Les dépenses en question comprenaient l'aide transitoire octroyée en 1996 pour l'harmonisation des taxes de vente provinciales avec la TPS, ainsi que les l'harmonisation des taxes de vente provinciales avec la TPS, ainsi que les fonds pour établir la Fondation canadienne pour l'innovation en 1997 et la fonds pour établir la Fondation canadienne pour l'innovation en 1997 et la

Fondation canadienne des bourses d'études du millénaire, plus tôt cette année.

Le respect des normes comptables recommandées par un organisme indépendant comme le CCVSP devrait être la pratique générale dans la comptabilité du gouvernement. Les comptes préparés selon ces normes refléteront probablement le consensus des experts en finances et en comptabilité et des experts du secteur public sur la meilleure façon de traduire la réalité financière dans les états financiers du gouvernement. En outre, comme on ne états financiers du gouvernement. En outre, comme on ne états financiers du gouvernement anéthode suivie a été choisie

recommandées par un organisme indépendant comme le Conseil sur la comptabilité et la vérification dans le secteur public devrait être la pratique générale dans la comptabilité du gouvernement.

Le respect des normes comptables

pour des raisons politiques ou de partisanerie, les rapports qui en résulteront jouiront d'une plus grande crédibilité parmi les citoyens et les milieux financiers nationaux et internationaux.

La récente crise financière asiatique atteste de l'importance d'une information transparente, fidèle et intégrale sur l'état des finances des gouvernements. Le Fonds monétaire international a jugé que le manque de transparence a été un facteur qui a contribué à cette crise. Des pratiques de communication d'information opaques et un accès limité aux données ont des pays maintenant aux prises avec des difficultés financières. La communication en temps opportun d'une information utile et facile à comprendre contribue à un meilleur rendement en appuyant la prise de décision éclairée et en exposant les activités du gouvernement à l'examen décision éclairée et en exposant les activités du gouvernement à l'examen

acceptables dans le secteur privé soit

qu'un système de gestion financière

Il faudra des années encore avant

répondant à des normes jugées

en 1989 et a été appuyée de nouveau comme priorité gouvernementale en 1995. Mais la mise en oeuvre est lente.

Bien que la cadence se soit accélérée récemment, il faudra des années encore avant qu'un système de gestion financière répondant à des normes jugées acceptables dans le secteur privé soit en place. De nouveaux reports ne sont

pas envisageables: le gouvernement a besoin de l'information financière qui lui fait défaut actuellement.

Deuxiômement: les plans du gouvernement donneraient lieu à des incohérences entre les crédits parlementaires et les dépenses gouvernementales

Comme nous l'avons signalé en septembre de cette année, l'un des principaux défis de la mise en oeuvre réussie de

la Stratégie d'information financière sera de persuader les représentants des ministères d'utiliser la nouvelle information financière dans la gestion quotidienne des programmes et des activités. Il est plus probable qu'ils l'utiliseront si les fonds sont également octroyés selon la méthode de comptabilité d'exercice intégrale. Les projets annoncés par le gouvernement prévoient l'adoption de la comptabilité d'exercice intégrale pour le Budget annuel, les Comptes publics du Canada, le Rapport sur les plans et les priorités des ministères et le Rapport sur le rendement des ministères, mais priorités des ministères et le Rapport sur le rendement des ministères, mais parlementaires.

À mon avis, cette fissure dans la structure des rapports financiers pourrait nuire sérieusement à l'efficacité de la Stratégie. L'engagement des gestionnaires de programme envers les principes de la comptabilité et de la budgétisation d'exercice sera moindre si ces principes ne sont pas appliqués pour une fin aussi fondamentale que l'octroi des crédits. En outre, le gestion et l'autre pour les rapports, compliquerait aussi sans raison le régime redditionnel. Tous les avantages de la Stratégie ne seront réalisés que si elle englobe le processus d'octroi des crédits, de sorte que l'information utilisée englobe le processus d'octroi des crédits, de sorte que l'information utilisée programmes sera la même que celle dont se servira le Parlement pour l'octroi programmes sera la même que celle dont se servira le Parlement pour l'octroi et l'approbation des ressources.

Troisièmement: l'engagement pris par le gouvernement de respecter des normes comptables objectives doit être réaffirmé Pour ma part, l'un des aspects les plus encourageants de la Stratégie est

l'intention déclarée du gouvernement de respecter des normes comptables

en place.

exacte et actuelle pour tous les aspects de la gestion publique, notamment l'affectation des ressources et la planification, le suivi des activités et l'évaluation du rendement. Des rapports actuels et crédibles contenant de l'information financière pertinente sont également fondamentaux pour rendre les ministères, et le gouvernement dans son ensemble, responsables des ressources qu'ils utilisent et du pouvoir qu'ils exercent.

L'état de la gestion financière me préoccupe à trois points de vue :

Premièrement : il est plus que temps de modernhement gention timmeles

La nécessité de réformer le mode de gestion de l'information financière dans l'administration fédérale est à l'ordre du jour depuis de nombreuses années. Il y a près de quatre décennies, la Commission royale d'enquête sur l'organisation du gouvernement (Commission Glassco) réclamait l'adoption d'un système comptable qui fournirait de l'information de meilleure qualité sur les coûts entiers des activités gouvernementales. Depuis, cette demande a été réitérée à maintes reprises par de nombreuses parties, tant de l'intérieur que de l'extérieur du gouvernement.

Le gouvernement est en train d'instaurer un tel système, dans le cadre d'une initiative appelée la Stratégie d'information financière (SIF). Entre autres, on sur la comptabilité de caisse, par la comptabilité non de les dépenses consacrées aux immobilisations seront constatées au fur et à mesure que les actifs seront utilisés, de sorte que les coûts seront répartis sur la durée de vie utile de ces actifs. Actuellement, le coût total d'une immobilisation est imputé aux dépenses au moment de l'acquisition de l'actif. En associant de façon adéquate les coûts aux

Modernisation de la gestion financière — il est temps d'agir

En même temps que des améliorations sont apportées au système de gestion financière du gouvernement, se déroule une initiative plus vaste pour renouvelet la gestion financière dans l'administration fédérale. Dans son rapport de 1997, le Groupe de travail indépendant chargé de la modernisation de la « fonction de contrôleur » dans l'administration fédérale du Canada soutient que la fonction de contrôleur — comme elle est considérée et exercée en ce moment — doit changer fondamentalement pour répondre aux besoins d'un fondamentalement moderne.

Le Groupe de travail a proposé les trois points de repère suivants qui indiqueraient quand la modernisation a lieu :

l'existence de normes sur le rendement, à l'échelle du gouvernement, adaptées aux besoins des ministères et instaurées de façon à répondre à leurs circonstances.;

Omplète et crédible sur le rendement;
 l'existence de centres d'excellence pour la

formation des gestionnaires et des professionnels aux exigences de la fonction de contrôleur.

Le gouvernement a accepté les recommandations du Groupe de travail. J'appuie les efforts du contrôleur général pour mettre en oeuvre ces recommandations rapidement.

activités qu'ils appuient, la comptabilité d'exercice nous fournit une information de meilleure qualité sur le coût réel des programmes du gouvernement.

La modernisation de la gestion financière du gouvernement s'impose depuis longtemps. La Stratégie elle-même a été approuvée par le Conseil du Trésor

même de notre mandat, qui nous demande de rendre publics les cas de mauvaise gestion, il est toujours possible que nos travaux répriment le désir de certains fonctionnaires d'innover et de prendre des risques. Néanmoins, je suis convaincu que le Bureau est un intervenant relativement mineur dans le contexte opérationnel complexe de la fonction publique. Nous — le public, les parlementaires, les fonctionnaires et le Bureau — devons travailler ensemble pour aider à supprimer les contraintes et à trouver des façons d'encourager l'innovation et la prise de risque responsable qui sont plus que jamais nécessaires.

C'est à la lumière de ces considérations qu'en octobre de cette année, j'ai parrainé la Table ronde sur l'innovation et la prise de risque* réunissant des hauts fonctionnaires des gouvernements fédéral et provinciaux, des représentants politiques et des représentants du secteur privé et des syndicats. Les discussions étaient fondées sur des documents de travail préparés par le Forum des politiques publiques (The Risk Not Taken), Industrie Canada (An Industry Canada Perspective) et le Bureau (Le rôle et la perspective du Bureau du vérificateur général du Canada). Je crois que la participation à la Table ronde, les discussions animées et l'éventail de points de vue exprimés reflètent l'importance de ce sujet, de même que l'intérêt et les préoccupations reflètent l'importance de ce sujet, de même que l'intérêt et les préoccupations

des participants. Le fait que les participants ne se soient pas limités au recensement des problèmes, mais qu'ils aient proposé certaines mesures concrètes qui pourraient faire avancer les choses, m'encourage tout particulièrement.

Je considère que la Table ronde est le début plutôt que la fin d'un processus permanent. Nous continuerons de travailler avec les ministères et les organismes pour cerner plus clairement les contraintes à l'innovation et à la prise

fonctionnaires à s'acquitter de leurs responsabilités avec créativité, innovation et intégrité.

de risque prudente et les mesures qui peuvent être prises pour encourager les

 * On peut se procurer le sommaire des travaux de la Table ronde en communiquant avec notre bureau.

Une gestlon et des rapports financiers modernisés

L'une de mes priorités comme vérificateur général depuis ma nomination en 1991 est d'encourager une meilleure gestion financière dans l'administration fédérale. Or une information financière de qualité est indissociable d'une gestion financière de qualité. De fait, il faut de l'information financière

Nous continuerons de travailler avec les ministères et les organismes pour cerner plus oblitement les contraintes à l'innovation et à la prise de risque prudente.

et ouverte. Néanmoins, comme le montrent les pratiques d'autres pays, nous pouvons faire mieux. Les avantages possibles en valent le coût, particulièrement en ce moment : des structures qui encouragent une éthique du rendement, renforcées par des pratiques de communication de l'information qui facilitent la surveillance, peuvent minimiser le risque de recul au moment où les pressions financières à court terme en faveur des économies disparaissent.

Dans le reste du chapitre, j'examine divers aspects de cet enjeu.

Pour en savoir davantage, voir les publications du vévificateur général: La communication de l'information sur le rendement dans le Système de gestion des dépenses (Chapitre 5 du Rapport de 1997); Vers une gestion axée sur les résultats (Chapitre 11 du Rapport de 1997); Les sociétés d'État — Appliquer la mesure du rendement (Chapitre 22 du Rapport de 1997); Sociétés d'État : S'acquitter des responsabilités en matière d'intendance (Chapitre 10 du Rapport de 1995).

L'innovation et la prise de risque prudente dans le secteur public

Dans d'autres sections du chapitre, je discute des changements profonds survenus dans les structures de régie, les ressources et les méthodes de prestation des services qui ont marqué la fonction publique fédérale au cours des dernières années. Même si bon nombre de ces changements découlent de facteurs comme la mondialisation, les tendances démographiques et sociétales et la révolution technologique ont fait de l'évolution rapide une réalité. Dans l'environnement compétitif et axé sur les résultats qui existe maintenant, on attache beaucoup d'importance à la capacité et au désir des d'innovation — non seulement pour en arriver à suivre le changement, mais d'innovation — non seulement pour en arriver à suivre le changement, mais pour l'anticiper et l'influencer, et saisir les possibilités qu'il offre.

Cependant, de l'avis de plusieurs observateurs, il existe des entraves à la prise de risque et à l'innovation. Parmi celles-ci, citons les répercussions sur le moral des fonctionnaires de facteurs interdépendants comme la réduction des effectifs, le long gel des salaires qui n'a pris fin que l'an passé, et la plus grande attention à l'égard des résultats peuvent parfois susciter des critiques non méritées quand les résultats escomptés ne se concrétisent pas. Dans ces circonstances, de nombreux fonctionnaires peuvent juger prudent de ne pas prendre de risques.

Je reconnais que les travaux de mon bureau sont parfois considérés comme contribuant aux forces qui entravent l'innovation. Étant donné la nature

- Servir l'intérêt public. Les organisations publiques doivent en arriver à un équilibre entre les principes de gestion, comme la rentabilité, et les au Parlement. Un climat organisationnel qui appuie les valeurs de la fonction publique et qui encourage la gestion axée sur les résultats peut contribuer au rendement en guidant le comportement et en motivant l'effort.
- Atteindre les objectifs. L'organisation doit avoir des objectifs de résultat bien définis, des attentes de rendement claires et des indicateurs fiables pour mesurer les progrès réalisés. Elle a besoin de capacités adaptées à sa mission et à ses objectifs, y compris les pouvoirs, les ressources humaines et les ressources financières nécessaires.
- Assurer la reddition de comptes. Des objectifs clairs sont essentiels pour tenir la direction responsable des ressources publiques qui lui sont confiées. Les rôles et acceptés. Les attentes de rendement doivent être liées aux capacités et établies en fonction de celles-ci. Les aux capacités et établies en fonction de celles-ci. Les fetre fiables et produits en temps opportun pour être fiables et produits en temps opportun pour faciliter l'apprentissage et encourager un meilleur rendement.
- Assurer la transparence. Les rapports publics et l'accessibilité des documents clés sont nécessaires pour montrer comment les organisations gèrent les fonds publics et s'acquittent des responsabilités qui leur ont été confiées.

Evidemment, aucun processus de gestion ne peut garantir le succès en bout de ligne. Au mieux, il permet à principale par en la surfaction de ligne.

l'organisation de maintenir le cap sur les buts qu'elle veut atteindre et de s'occuper des questions qui relèvent de la direction et qui font obstacle au succès. Un cadre de régie efficace est conçu pour aider la direction à y parvenir.

J'entends déjà quelques lecteurs me dire « C'est plus facile à dire qu'à faire ». Je le sais. Par surcroît, je ne sous-estime pas la difficulté d'établir, dans de nombreux secteurs du gouvernement, des objectifs clairs et des mesures du rendement et de communiquer de l'information de façon franche

Activités contractuelles — un mauvais exemple du pouvoir discrétionnaire des gestionnaires

Les contrats passés avec des fournisseurs de l'extérieur du gouvernement pour des biens et des services sont un domaine où les gestionnaires du gouvernement jouissent d'un pouvoir discrétionnaire considérable. Malheureusement, la façon dont ce pouvoir est utilisé à l'heure actuelle est souvent un mauvais exemple qui risque de s'étendre à d'autres domaines.

La vérification des contrats à fournisseur unique accordés pour les services professionnels, que nous avons effectuée cette année, nous a permis de constater :

- le non-respect généralisé des règlements sur les marchés;
- une mauvaise documentation;
- un souci insuffisant de l'économie.

Pour fonctionner, la dévolution des pouvoirs doit s'accompagner d'attentes de rendement et d'obligations d'information claires. Autrement, la reddition de comptes et le rendement risquent de s'effriter.

Voir : La passation des marchés de services professionnels : certains contrats à fournisseur unique (Chapitre 26 du Rapport de 1998).

dette (Chapitre 5 du Rapport de 1993), Autres publications: Préserver la prospérité dans une société vieillissante (OCDE, 1998); Long-Term Budgetary Pressures and Policy Options (Congressional Budget Office, Washington, DC, mai 1998).

Des structures de régie efficaces

Les idées au sujet de ce qui fonctionne dans le secteur public, et de ce qu'on entend par gestion publique efficace, ont évolué radicalement au cours des quelque dix dernières années. La gestion publique traditionnelle est caractérisée par des structures organisationnelles hiérarchiques, une prise de décision centralisée et la réglementation des ministères opérationnels par des contrôles imposés par les organismes centraux. Elle s'appuie sur des règles détaillées plutôt que sur le jugement des gestionnaires, et sur des processus plutôt que sur des résultats.

Ces caractéristiques bureaucratiques de la gestion publique traditionnelle ont été conçues pour assurer l'équité entre les activités gouvernementales et la probité dans l'intendance des ressources publiques. Mais elles peuvent aussi rendre le secteur public complexe, rigide et inefficient. Dans un monde qui évolue rapidement, où la concurrence croît et où le public est de plus en plus exigeant, ce modèle bureaucratique traditionnel de gestion publique devient de moins acceptable.

Les pays du monde industrialisé abandonnent progressivement ce mode de gestion désuet du secteur public pour adopter une gestion plus décentralisée, plus souple et davantage axée sur les résultats et le rendement. Le centre demeure responsable des orientations atratégiques et des affectations budgétaires, mais les ministères opérationnels jouissent d'une plus grande autonomie dans l'utilisation des ressources pour répondre aux besoins des clients. La reddition de comptes est

Les pays du monde industrialisé abandonnent progressivement le mode de gestion désuet du secteur public pour adopter une gestion plus décentralisée et plus souple.

assurée par l'établissement d'objectifs de rendement appropriés et l'obligation de rendre compte de l'atteinte de ces objectifs.

Par le biais d'initiatives sous la bannière générale « Repenser le rôle de l'État », l'administration fédérale a amorcé un virage vers la gestion axée sur les résultats dans le secteur public. Des cadres de contrôle et des procédures de régie qui favorisent l'engagement envers les objectifs organisationnels et qui « permettent » aux gestionnaires de gérer sont essentiels à la réussite de cette approche. Nous proposons aux organisations du secteur public d'adopter les quatre principes clés suivants, qui sont liés à un cadre de régie

efficace.

demandes, car il craint d'être tenu responsable des perspectives à long terme, comme il l'est actuellement pour ses objectifs financiers à court terme. Or il pourrait soit publier un énoncé de politique avec les projections, soit adopter une loi, si nécessaire, indiquant que les projections sont fournies aux fins d'information seulement et qu'elles ne constituent pas des engagements du gouvernement — qui ne voudraient rien dire, de toute façon, étant donné la durée normale du mandat d'un gouvernement. De plus, les projections à long terme n'ont pas à être aussi précises ni à contenir le même type d'information que les prévisions actuelles sur deux ans.

La présentation de ces projections à long terme dans le cadre de la mise à jour financière de l'automne, plutôt qu'avec le Budget annuel en février, aiderait également à les distinguer du plan et des objectifs financiers à court terme du gouvernement. Elle fournirait en même temps un contexte utile aux consultations prébudgétaires, qui sont la raison d'être de la mise à jour financière de l'automne.

J'étais heureux de constater récemment que le Comité permanent des comptes publics a appuyé la nécessité de perspectives à long terme pour la préparation du Budget. Dans son seizième rapport déposé en octobre dernier et fondé sur les audiences sur le chapitre 6 de mon rapport de 1998, le appropriés par lesquels le gouvernement pourra diffuser de l'information financière et démographique à long terme pour assurer la transparence et une meilleure compréhension des perspectives financières du Canada. J'espère que le Ministère répondra favorablement à la demande du Comité.

Des projections financières à long terme sont nécessairement spéculatives, mais n'en sont pas moins nécessaires : nul ne peut ignorer l'avenir parce qu'il n'est pas parfaitement prévisible. Les décisions financières actuelles ont des conséquences à long terme, que nous le voulions ou non. Les tendances démographiques sont tout aussi fiables que d'autres, et l'on peut facilement tenir compte de leurs répercussions financières. Cela et le fait de publier les résultats de l'exercice aideraient à rendre plus intelligibles les objectifs à court terme du gouvernement — et, par le fait même, plus acceptables aux yeux du public et plus crédibles aux yeux des marchés financiers.

Pour en savoir davantage, voir les publications du vérificateur général: Le vieillissement de la population et l'information destinée au Parlement — Les déficits et la dette: Pour comprendre les choix (Chapitre 9 du Rapport de 1995); Pour une meilleure intendance — La réforme de la fonction publique en Nouvelle-Zélande de 1984 à 1994; sa pertinence pour le Canada (1995); Information destinée au Parlement — Pour comprendre les déficits et la publique en Mouvelle-Zélande de 1984 à 1994; sa pertinence pour le Canada

Que nous réserve l'avenir? Nous savons déjà qu'en raison de la baisse des taux de fécondité et de mortalité, la population du Canada vieillit. La proportion des personnes âgées dans la population totale augmentera radicalement au cours de la deuxième et de la troisième décennies du siècle prochain, au fur et à mesure que les personnes nées pendant l'explosion démographique vieilliront et prendront leur retraite. En 2030, les personnes âgées représenteront 22 p. 100 de la population totale du Canada, contre âgées représenterent. Alors qu'aujourd'hui, on compte cinq Canadiens 12 p. 100 actuellement. Alors qu'aujourd'hui, on compte cinq Canadiens

d'âge actif pour chaque personne âgée de 65 ans et plus, dans trois décennies, il n'y en aura plus que la moitié.

Étant donné les politiques actuelles, ces changements démographiques imposeront des pressions financières énormes sur le gouvernement, alors que la demande à l'égard des programmes de retraite et de soins de santé augmentera tandis que la proportion de la population d'âge actif qui contribue financièrement à ces programmes diminuera. Un horizon de deux ans pour des perspectives financières est manifestement beaucoup trop court pour tenir compte de ces pressions. Un tel horizon était efficace en période de crise, mais le moment est venu de voir à plus long terme.

Au sein des pays industrialisés à tout le moins, on reconnaît de plus en plus les avantages de la planification financière à long terme. L'Organisation de coopération et ses rapports récents, la valeur de cadres budgétaires à long terme pour inciter les gens à penser à l'avenir. La dotés d'un régime parlementaire semblable au nôtre, ont adopté des lois qui obligent leur gouvernement à fournir des perspectives financières à long terme dans le cadre de leur processus budgétaire. Aux États-Unis, tant le leur processus budgétaire. Aux États-Unis, tant le leur processus budgétaire. Aux États-Unis, tant le leur processus hugget Office, au nom du Congrès, que l'Office of Management and Budget, au nom de l'Administration, préparent et rendent publiques des l'Administration, préparent et rendent publiques des projections complètes de recettes, de dépenses et projections complètes de recettes, de dépenses et

La budgétisation en Nouvelle-Zélande

La préparation des budgets et les rapports publiés à ce sujet en Nouvelle-Zélande sont régis par le Fiscal Responsibility Act 1994. Cette loi oblige le gouvernement à appliquer les principes suivants de gestion financière responsable dans sa politique budgétaire:

- la réduction de la dette du gouvernement à des
- niveaux prudents;

 I'équilibre des dépenses de fonctionnement et
- des recettes pour une période donnée;

 d'imposition stables et prévisibles pour une
 période donnée.

Ces principes se reflètent concrètement dans deux publications : un énoncé de la politique budgétaire, qui doit être déposé au moins trois mois avant le budget, et un rapport sur la stratégie financière, qui doit être déposé avec le budget.

L'énoncé de la politique budgétaire décrit les intentions budgétaires du gouvernement pour les trois prochaines années ainsi que ses objectifs financiers à long terme.

Le rapport sur la stratégie financière compare les objectifs du budget avec ceux de l'énoncé de la politique budgétaire et fournit des « perspectives périodiques » qui présentent une projection de la situation financière du gouvernement sur dix ans ou plus, selon un éventail d'hypothèses économiques et stratégiques.

Le Fiscal Responsibility Act a servi de modèle à des lois semblables en Australie et au Royaume-Uni.

d'équilibres budgétaires, suivant diverses hypothèses financières et économiques, sur un horizon de plusieurs décennies.

J'ai, à diverses occasions, demandé au gouvernement de préparer des projections semblables. Le gouvernement est peu enclin à accéder à ces

donc important de ne pas se laisser leurrer par ces bons résultats financiers immédiats ni d'atténuer les efforts pour améliorer le rendement.

Dans ce chapitre, je discute de certains moyens qui pourraient appuyer ces efforts. Ce sont :

- un cadre financier à long terme;
- des structures de régie efficaces;
- I, innovation et la prise de risque prudente dans le secteur public;
- une gestion et des rapports financiers modernisés;
- réformes en cours dans le secteur public;
- une reddition de comptes transparente et significative au Parlement.

Ensemble, ces éléments constitueraient une philosophie de gestion publique qui, à mon avis, serait très avantageuse généralement, et particulièrement dans le contexte postdéficitaire actuel.

D'autres questions qui ne sont pas directement liées au thème de la gestion dans un contexte postdéficitaire, mais que je considère tout de même importantes, sont communiquées en annexe de ce chapitre.

Un cadre financier à long terme

Joseph, le fils de Jacob, a sauvé l'Egypte de la famine — et est devenu ainsi riche et célèbre — en conseillant au pharaon de ne pas succomber à la tentation de profiter des années d'abondance, et de prévoir en conséquence. Dans la préparation d'un budget, la simple prudence veut que l'on adopte une vision prospective. Cela est d'autant plus sage quand nous avons des raisons de croire, tout comme Joseph, que notre situation à long terme pourrait être bien différente de la situation actuelle.

Nous ne sommes pas en mesure, comme Joseph, de prédire l'avenir en interprétant les rêves, mais nous pouvons facilement anticiper les répercussions financières à long terme en nous fondant sur les tendances démographiques actuelles. Les tendances démographiques prennent des décennies à se dessiner et suivent un modèle prévisible : les jeunes d'aujourd'hui seront les travailleurs de demain dans une décennie ou deux et les retraités du Canada, trois ou quatre décennies plus tard. Par conséquent, comme l'a dit le spécialiste de la gestion, Peter Drucker, la démographie comme l'a dit le spécialiste de la gestion, Neter Drucker, la démographie représente réellement (traduction) « un avenir immuable ».

La gestion publique dans un contexte postdéficitaire

amuel Johnson faisait observer que la perspective d'être pendu faisait merveille sur la concentration. Au

début des années 90, une récession exceptionnellement longue et profonde a failli provoquer une crise des finances publiques du Canada, déjà affaiblies par des années de déficits consécutifs et une dette croissante. En 1993–1994, le déficit budgétaire annuel atteignait le niveau record de 42 milliards de dollars et la dette nette en proportion du PIB



s'élevait à plus de 70 p. 100, contre moins de 20 p. 100 deux décennies plus tôt. Le spectre de la crise financière a encouragé le gouvernement à repenser fondamentalement les activités qu'il exerçait et la façon de les exercer.

Des changements importants à l'administration publique fédérale ont suivi. Le gouvernement a instauré un nouveau système de gestion des dépenses, établi des objectifs de financement pluriannuels et exigé que les nouveaux projets de dépense soient financés par la réaffectation des fonds sans dépassement de ces objectifs. Des programmes ont été privatisés, d'autres ont été restructurés et rationalisés. La taille de la fonction publique a diminué de façon significative pour la première fois depuis des décennies, tout comme les dépenses de programme. La gestion davantage axée sur les résultats et la sensibilisation aux coûts est devenue plus prioritaire.

Comme l'ère des déficits chroniques importants est, semble-t-il, derrière nous, l'enjeu consiste désormais à l'économie et de l'efficience dans la gestion des fonds publics. L'élimination du déficit n'est qu'une étape vers la restauration de la santé financière mais nous avons encore fiscal demeurent lourds, et les tendances démographiques actuelles portent à croire que les pressions financières actuelles portent à croire que les pressions financières augmenteront. Les bouleversements économiques augmenteront. Les bouleversements économiques

mondiaux survenus au cours des derniers mois nous rappellent de façon éloquente que la situation économique peut se retourner rapidement. Il est

Comme l'ère des déficits chroniques importants est, semble-t-il, derrière nous, l'enjeu consiste désormais à maintenir l'élan en faveur d'un plus grand souci de l'économie et de l'efficience.

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durable et, de ce fait, à produire des résultats positifs pour tous les Canadiens. honnête et productive qui reflète un engagement envers le développement confié le Parlement, une administration gouvernementale responsable, Nous sommes engages à promouvoir, dans l'exécution du mandat que nous a

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meilleures méthodes de gestion dans l'administration publique. contrôle parlementaire sur les deniers publics et à encourager l'emploi des et avis objectifs au Parlement. Le vérificateur général vise ainsi à améliorer le missions de vérification et des examens qui fournissent information, assurance Le Bureau du vérificateur général effectue, en toute indépendance, des

Riaboration de la mission

: indivorbt no stitisod estatlusor sob oriubord en Javorisani Dans l'accomplissement de notre mission,

- nn compte rendu juste et honnête de l'intendance du gouvernent à
- l'égard des ressources financières et autres;
- ; supilduq noitonot al se in de la fonction publique;
- da perception des recettes dues à l'État. la rentabilité des activités du gouvernement;

Par notre travail, nous voulons aussi:

- sourrir une assurance objective à l'égard des questions jugées
- assurer la conformité aux autorisations; satisfaisantes ou insatisfaisantes;
- prévenir la fraude et la malhonnéteté.

Points saillants (suite)

Une reddition de comptes transparente et significative au Parlement. Des mesures importantes sont prises pour fournir aux parlementaires, en temps voulu, le genre d'information dont ils ont besoin pour tenir le gouvernement responsable. Il faut suivre de près les nouveaux modes de prestation des services pour maintenir une bonne reddition de

Dans un contexte postdéficitaire, ces éléments de saine gestion du secteur public peuvent aider à assurer la poursuite de la recherche de l'optimisation de l'argent des contribuables.

comptes et la cohésion du secteur public.

D'autres questions récentes et certaines qui posent toujours problème sont exposées à l'annexe du

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- Nous avons effectué cette année la première évaluation de l'information sur le rendement communiquée par un nouvel organisme de prestation de services.
- Notre examen des efforts de Revenu Canada pour promouvoir l'intégrité chez ses employés s'inscrit dans nos travaux continus sur l'éthique dans le secteur public.
- Nous avons examiné l'obligation de déclarer les biens étrangers déterminés imposée par le gouvernement.
- La mise en oeuvre de la Stratégie fédérale en matière de sciences et de technologie est lente dans certains domaines importants.
- Les retards dans la préparation des ordinateurs à l'an 2000 font que de nombreuses fonctions essentielles à la mission de l'administration fédérale demeurent à risque.
- Aller au-delà de la rhétorique pour appliquer les principes du développement durable aux activités quotidiennes de l'administration fédérale demeure un enjeu essentiel.
- Au cours de l'année, nos travaux de vérification ont permis de cerner des possibilités d'économies.

Questions d'une importance particulière — 1998



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Chaque année, dans ce chapitre, je souligne les principales questions qui ressortent de nos travaux de l'année, et celles des années précédentes qui continuent de revêtir une importance particulière. Cette année, comme l'ère des déficits chroniques importants est, semble-t-il, derrière nous, je discute du défi que doit relever le gouvernement : continuer de mettre l'accent sur l'amélioration de l'économie et de l'efficience.

Je propose un certain nombre de moyens pour aider à faire en sorte que le revirement de la situation financière du Canada ne nous leurre pas et nous fasse ainsi oublier la nécessité d'améliorer le rendement :

- Un cadre financier à long terme. Depuis quelque temps déjà, je demande au gouvernement fédéral d'établir et de rendre publiques des projections financières à long terme montrant l'incidence de facteurs sur les finances du gouvernement, comme le vieillissement de la population. Les administrations d'autres pays le font.
- Des structures de régie efficaces. L'administration fédérale, à l'instar d'autres administrations ailleurs, essaie de s'éloigner du modèle bureaucratique traditionnel pour adopter une forme de gestion plus souple. Cela exige une bonne régie, le souci de l'intérêt public, l'atteinte des objectifs, la reddition de comptes et le maintien de la transparence.
- L'innovation et la prise de risque prudente dans le secteur public. Il existe des contraintes à l'innovation et à la prise de risque prudente dans le secteur public. Il faut cerner plus précisément ces contraintes et déterminer les mesures qui peuvent être prises pour encourager les fonctionnaires à s'acquitter de leurs responsabilités avec créativité, innovation et intégrité.
- Une gestion et des rapports financiers modernisés. Il est plus que temps de moderniser la gestion financière. Aussi, l'engagement pris par le gouvernement de respecter des normes comptables objectives doit être réaffirmé depuis deux ans, je me trouve dans l'obligation de formuler une restriction à mon opinion sur les états financiers du gouvernement, car ceux-ci ne respectent pas les normes comptables reconnues.
- Une meilleure intégration de la gestion des ressources humaines aux réformes en cours dans le secteur public. Les hauts fonctionnaires sont insatisfaits de l'état actuel de la gestion des ressources humaines dans la fonctions publique. Il est inquiétant de constater que ces problèmes de longue date persistent.

Table des matières

Page

LZ	Possibilités d'économies
97	Une approche stratégique du développement durable
97	Le bogue du millénaire : encore une menace
52	La Stratégie fédérale en matière de sciences et de technologie : suivi des progrès
72	Examen de l'obligation de déclarer les biens étrangers déterminés
77	Promotion de l'intégrité au sein de Revenu Canada
74	Évaluations de l'information sur le rendement
54	Annexe du chapitre : d'autres questions récentes et certaines qui posent toujours problème
77	Conclusion
50	Les nouveaux modes de prestation de services présentent un défi particulier
61	Une reddition de comptes transparente et significative au Parlement
18	conts dans le secteur public
	Une meilleure intégration de la gestion des ressources humaines aux réformes en
91	objectives doit être réaffirmé
	L'engagement pris par le gouvernement de respecter des normes comptables
91	parlementaires et les dépenses gouvernementales
	Les plans du gouvernement donneraient lieu à des incohérences entre les crédits
51	Il est plus que temps de moderniser la gestion financière
14	Une gestion et des rapports financiers modernisés
13	L'innovation et la prise de risque prudente dans le secteur public
H	Des structures de régie efficaces
8	Un cadre financier à long terme
L	La gestion publique dans un contexte postdéficitaire
₽	Points saillants



Questions d'une importance 8eet – 1998



Rapport du vérificateur général du Canada à la Chambre des communes — Décembre 1998



Rvant-propos

olume contient en outre 11 chapitres reliés séparément.	cette année. Ce v
e importance particulière - 1998 » et des points saillants qui sont tirés de tous les chapitres de	« Questions d'un
reureux de présenter le troisième volume de mon rapport de 1998. Cet avant-propos est suivi de	le suis b

La préparation à l'an 2000 : les systèmes essentiels à la mission de l'administration fédérale	.0.
Le commerce électronique : la conduite des affaires du gouvernement par Internet	.6

- 21. Agence canadienne de développement international Les programmes géographiques
- 22. La Stratégie fédérale en matière de sciences et de technologie : suivi des progrès
- 23. Anciens Combattants Canada Les pensions d'invalidité
- 24. Revenu Canada Direction de l'impôt international : la gestion des ressources humaines
- 25. Transports Canada Les investissements dans les routes
- La passation des marchés de services professionnels : certains contrats à fournisseur unique
 Les subventions et les contributions : certains programmes d'Industrie Canada et du ministère
- Les subventions et les contributions : certains programmes d'Industrie Canada et du ministère du Patrimoine canadien
- 28. Suivi des recommandations formulées dans des rapports antérieurs
- 29. Autres observations de vérification

Outre le présent volume et ceux que j'ai soumis au Parlement en avril 1998 (9 chapitres) et en septembre 1998 (9 chapitres), notre bureau a fourni cette année :

- une opinion et des observations sur les états financiers du gouvernement du Canada;
- un rapport du vérificateur et des observations sur l'état des opérations du Compte de service et de réduction de la dette;
- des rapports du vérificateur et des observations sur quelque 90 états financiers des sociétés d'Etat et d'autres entités, des organisations et des gouvernements territoriaux, et d'organisations internationales.

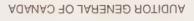
En 1997–1998, notre bureau a terminé les examens spéciaux des sociétés d'Etat suivantes : Société du crédit agricole, Commission de la capitale nationale, Administration de pilotage des Grands Lacs, Société de développement du Cap-Breton et Administration de pilotage de l'Atlantique. De plus, au cours de la période ultérieure allant d'avril à octobre 1998, notre bureau a terminé les examens spéciaux d'autres sociétés : Énergie atomique du Canada Limitée, Construction de Défense (1951) Limitée, Société du Centre national des Arts et Via Rail Canada Inc.

Aux termes de l'article II de la Loi sur le vérificateur général, je peux réaliser des missions à la demande du gouverneur en conseil. Au mois de juin, j' ai présenté un rapport au ministre du Revenu national et au ministre des Finances sur une telle mission qui portait sur l'obligation de déclarer les biens étrangers déterminés prévue par l'article 233.3 de la Loi de l'impôt sur le revenu.



Avant-propos







À l'honorable Président de la Chambre des communes :

J'ai l'honneur de vous transmettre ci-joint mon rapport annuel de 1998 à la Chambre des communes, lequel doit être déposé à la Chambre en conformité avec les dispositions du paragraphe 7(3) de la Loi sur le vérificateur général.

Le vérificateur général du Canada,

L. Denis Desautels, FCA

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Le Rapport de décembre 1998 comporte onze chapitres, dont le chapitre « Questions d'une importance particulière », ainsi qu'un Avant-propos et les Points saillants des chapitres des Rapports d'avril et de septembre ainsi que de décembre 1998. Afin de mieux répondre aux besoins de nos clients, il est disponible sur divers supports. Pour obtenir d'autres documents ou les obtenir sur un autre support, voir la Table des

matières et le bon de commande à la fin du présent document.

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Questions d'une importance particulière – 1998 Avant-propos et Points saillants

Décembre 1998



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Report of the **Auditor General** of Canada to the House of Commons

Chapter 19 Electronic Commerce: Conducting Government Business via the Internet

December 1998

Report of the Auditor General of Canada to the House of Commons

Chapter 19

Electronic Commerce: Conducting Government Business via the Internet

This December 1998 Report comprises 11 chapters, including "Matters of Special Importance", as well as a Foreword and the Main Points from the April, September and December 1998 Report chapters. In order to better meet clients' needs, the Report is available in a variety of formats. If you wish to obtain another format or other material, the Table of Contents and the order form are found at the end of this chapter.

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Chapter 19

Electronic Commerce

Conducting Government Business via the Internet

The audit work reported in this chapter was conducted in accordance with the legislative mandate, policies and practices of the Office of the Auditor General. These policies and practices embrace the standards recommended by the Public Sector Accounting and Auditing Board (PSAAB) of the Canadian Institute of Chartered Accountants. The numbered paragraphs in bold face represent recommendations.

Table of Contents

		Page
Main F	Points	19–5
Introd	uction	19–7
Ele	ectronic Commerce in Government	19–7
A]	Predominant Area of Future Growth	19–9
Fo	cus of the Audit	19-9
Observ	vations and Recommendations	19–10
Le	Public Key Infrastructure The government's solution for secure electronic commerce Infrastructure development and management are under way Applications using public key infrastructure have yet to be identified and developed Need for further analysis of implications for dealing with the public Other development and implementation challenges to overcome gal Issues Resolution of potential limitations in legal statutes is proceeding Legal liability is a concern that requires further analysis and resolution ction Needed to Develop Direction and Adequate Common Technology Infrastructures Senior sponsor needed to lead electronic commerce in government Further efforts required for technology standards and guidelines ectronic Initiatives in Government — A Profile Good practices and potential lessons learned	19-10 19-11 19-13 19-14 19-16 19-18 19-19 19-19 19-19 19-20 19-22 19-23
Conclu	asion	19–25
About	the Audit	19–27
Exhibi	ts	
19.1 19.2 19.3 19.4	Electronic Commerce: A Chronology of Major Events Glossary of Selected Terms Related to Public Key Infrastructure The Government of Canada Public Key Infrastructure Task Force and Committees Four Electronic Commerce Initiatives	19-8 19-10 19-12 19-24





Electronic Commerce

Conducting Government Business via the Internet

Main Points

- 19.1 Research groups and experts in the information technology industry have predicted a phenomenal growth in the use of the Internet for business. In government, the Internet provides an opportunity to streamline operations and improve service delivery, as well as an alternative mode of conducting business. In a policy statement, the government committed to making electronic commerce its preferred way of doing business by 1998. In support of its agenda for "connecting Canadians", it has also undertaken to become a model user of the information highway by 2000.
- 19.2 The audit focussed on the government's use of the Internet for internal and external purposes. We concluded that progress is being made in all three areas we examined, areas that are fundamental to support electronic commerce:
 - the government's public key infrastructure project as a measure for secure electronic commerce;
 - the legal framework to support conducting business electronically; and
 - common technology infrastructures for interoperability and seamless access to information and services across departments and agencies.
- 19.3 Nevertheless, we noted several key risks that could undermine the government's public key infrastructure project. Progress in designing business processes to make use of the Internet and developing the related computer applications is lagging behind the progress of the infrastructure project. Further, the need to certify the public, a necessary element in delivering services externally, has yet to be addressed.
- 19.4 A "paper bias" has been identified in the language of federal statutes and steps have been taken to resolve it. Further action is needed to manage the government's potential legal liability in its use of electronic commerce.
- 19.5 A senior sponsor is needed to advance electronic commerce in government. Many issues remain to be resolved before adequate common infrastructures exist to support the delivery of services across multiple departments and agencies.
- 19.6 If the government does not address on a timely basis the identified risks and areas requiring action, its objective of making electronic commerce its preferred way of doing business may not be fully realized and its goal of becoming a model user of the information highway by 2000 may also be in jeopardy.



Introduction

Electronic Commerce in Government

19.7 In general, the term "electronic commerce" refers to business activities and transactions that are conducted electronically. It involves using information technology and telecommunications to disseminate information, exchange data and perform financial transactions. The term is not unique, nor is it defined specifically. Other terms that are used include E-commerce. E-business and E-trade. Electronic commerce encompasses an array of tools and technologies - such as electronic data interchange, electronic funds transfer and the Internet — that support many types of business applications.

19.8 In its public consultation documents, the federal government has offered the following definition:

Electronic commerce, which is at the heart of the information economy, is the conduct of commercial activities and transactions by means of computer-based information and communications technologies. It generally involves the processing and transmission of digitized information.

19.9 For the government, electronic commerce involves using computers and telecommunications systems in a wide range of activities — from internal activities such as administration and operations to external activities such as providing services to the public. They can be financial, such as transferring funds, or non-financial, such as providing or exchanging data and information.

19.10 Over the years, initiatives in this area (see Exhibit 19.1) have received the endorsement and support of interdepartmental senior management committees such as Treasury Board Secretariat's advisory Information

Management Subcommittee (TIMS) and the Council for Administrative Renewal (CAR).

19.11 In particular, the Treasury Board Secretariat identified electronic commerce as a key initiative in implementing the 1994 Blueprint for Renewing Government Services Using Information Technology. In late 1995, the Secretariat received approval from Treasury Board ministers to implement the Blueprint.

19.12 In December 1995, the Secretariat wrote to all deputy ministers to advise them that the Board had approved the Blueprint's implementation and endorsed its specific measures and initiatives. Advancing electronic commerce was one of those initiatives. The Secretariat indicated the government's intention to publicly announce that electronic commerce would be its preferred way of conducting business. Further, the Secretariat set the direction to achieve substantial progress in conducting internal activities electronically by 1997 and external activities by 1998. The letter also noted the government's intent to become a model user of the information highway. On many occasions since then, the Secretariat has committed to making electronic commerce its preferred means of doing business with other governments. private sector organizations and Canadians by 1998.

19.13 In the September 1997 Speech from the Throne, the government made the following commitment:

We will make the information and knowledge infrastructure accessible to all Canadians by the year 2000, thereby making Canada the most connected nation in the world.

It went on to state that connecting Canadians would provide them with access to the skills and knowledge they need to benefit from the country's rapidly changing knowledge and information infrastructure. A connected nation is The Treasury Board
Secretariat has
committed to making
electronic commerce
its preferred means of
doing business with
other governments,
private sector
organizations and
Canadians by 1998.

Electronic Commerce: Conducting Government Business via the Internet

By "putting the government on-line", the Canadian federal government would become a world leader in Internet-based delivery of government information and services.

viewed as an important element in enabling Canadians to participate and succeed in a global, knowledge-based economy.

19.14 The Electronic Commerce Task Force at Industry Canada has been leading the move toward "connecting Canadians". In early 1998, it formulated a two-part strategy — domestic and international — to make Canada a world leader in electronic commerce by 2000.

19.15 The domestic agenda focussed on:

- building trust in electronic commerce among businesses and consumers;
- setting ground rules for the digital marketplace as necessary; and
- connecting Canadians to the digital economy by improving their access to networks, enhancing their awareness and developing their skills.
- **19.16** The international agenda dealt with the need for a global framework to

facilitate the international growth of electronic commerce. This would include a legal framework, rules to govern the marketplace and the development of infrastructure. An immediate priority for this part of the agenda was to support the October 1998 OECD ministerial conference, "A Borderless World — Realizing the Potential of Global Electronic Commerce". Canada hosted the conference in Ottawa.

19.17 The domestic agenda further outlined a role for the government as a model user of electronic commerce. By "putting the government on-line", the Canadian federal government would become a world leader in Internet-based delivery of government information and services. This objective echoes a 1995 recommendation by the Information Highway Advisory Council. It is also consistent with the direction set by the Treasury Board Secretariat in late 1995 to make electronic commerce the preferred way of doing government business by 1998.

Exhibit 19.1

Electronic Commerce: A Chronology of Major Events 1994

• Government issues

Services Using

Information

Technology.

technology document

entitled Blueprint for

Renewing Government

1995

- Information Highway Advisory Council publishes its first report containing recommendations on the government's role as a model user of the information highway.
- Government commits to making electronic commerce its preferred way of doing business by 1998.
- Strategy paper entitled Electronic Commerce Commitment and Agenda for Action provides a status report on what needs to be done government- wide to do business electronically.

1997

• Throne Speech commits the government to making Canada the most connected nation in the world by 2000.

- 1998
- Industry Canada establishes the Electronic Commerce Task Force to co-ordinate the development of a national strategy for electronic commerce.
- Government reaffirms its commitment to become a model user of the information highway by 2000.

A Predominant Area of Future Growth

The government has been using many established technologies to replace paper-intensive and cumbersome processes, in administration and operations and in the delivery of programs and services. For example, it makes payments to millions of individuals through electronic funds transfer to their bank accounts, thereby eliminating the need to issue and process paper cheques. Taxpayers can file their income tax returns through electronic data interchange, replacing paper returns and related documents. Using kiosks and service centres, government provides key information to its clients electronically, on-site and without intervention from staff. By employing the X400 technical standard, government employees can exchange electronic messages (e-mail) across all departments and agencies. Today, e-mail has become an essential alternative to voice messages and paper mail as a means of communication.

19.19 General literature has shown that the Internet is a predominant area of future growth in electronic commerce. While statistics on Internet use are modest, the growth to date has been impressive and the potential for future growth is tremendous. In the United States, business-to-business Internet commerce grew tenfold from 1996 to 1997, when it reached US\$8 billion; a research group has predicted that it will grow to \$327 billion by 2001, a fortyfold increase. Another group has estimated that the number of U.S. companies using Internet commerce will increase from 100,000 in 1998 to 600,000 by the year 2000. A 1997 report by the Organization for Economic Co-operation and Development (OECD) noted that the most conservative private sector estimates predict a tenfold growth by 2000 in the volume of electronic commerce transacted over global information networks.

Business-to-business Internet commerce is expected to be a major force in North America and Europe over the next two years.

19.20 By serving as a model user of the information highway and pursuing a domestic agenda of "connecting Canadians", the government is helping to position Canada in a global. knowledge-based economy. Conducting business via the Internet is a key element in the government's policy to make electronic commerce its preferred way of doing business. It provides an opportunity for new and innovative ways of interacting with the private sector, other levels of government and the public in delivering programs and services. It will help the government to meet anticipated demands from external users as access to and use of the Internet grow. Internally, electronic commerce can benefit government administration and operations by increasing efficiency and reducing costs.

General literature has shown that the Internet is a predominant area of future growth in electronic commerce.

Focus of the Audit

19.21 The audit focussed on the government's use of the Internet to conduct business — both internal and external — as part of its stated policy on electronic commerce and its commitment to serve as a model user of the information highway.

19.22 The audit assessed the government's progress in addressing three key areas that will enable it to do business over the Internet: a public key infrastructure as a measure for secure electronic commerce; a legal framework to support electronic commerce; and common technology infrastructures. In addition, we reviewed four government initiatives involving electronic service delivery, in order to identify good practices and possible lessons learned.

19.23 Further information about the audit objective, scope and criteria can be found at the end of the chapter in **About** the Audit.

Electronic Commerce: Conducting Government Business via the Internet

Internet users require trust and confidence that transactions are safe and secure and that their concerns about privacy are adequately addressed.

Observations and Recommendations

A Public Key Infrastructure

The government's solution for secure electronic commerce

19.24 In moving from traditional paper-based transactions to electronic commerce via the Internet, users require trust and confidence that the transactions are safe and secure and that their concerns about privacy are adequately addressed. New technical tools and security measures

need to be developed to support a secure environment for conducting business electronically.

19.25 In lieu of the traditional controls that provide assurance to users, different security measures are needed to keep electronic transactions safe. Cryptography provides protection in four areas, ensuring that business transactions are kept confidential (confidentiality), are not tampered with (integrity) and originate from the bona fide source that is claimed (authentication), and that their occurrence cannot be denied by the originator (non-repudiation). Exhibit 19.2 provides a

Exhibit 19.2

Glossary of Selected Terms Related to Public Key Infrastructure

Authentication	An assurance of identification that users are in fact who they claim to be, thereby guaranteeing that the message is legitimate.
Certificate Policy	A general statement of policy governing the operations of a certification authority in managing its public keys and digital certificates.
Certification Authority	An authority trusted by one or more users to issue and manage digital certificates.
Certification Practice Statement	A detailed statement of the operational procedures, standards and practices used by a <i>certification authority</i> in carrying out its functions under the <i>certificate policy</i> .
Confidentiality	A characteristic of information that is accessed only by authorized parties and no one else.
Cross Certification	A process that allows two separate <i>certification authorities</i> to agree to respect each other's certificates and keys so that their users can interact seamlessly with each other as if only one certification authority structure existed.
Digital Certificate	The equivalent of an electronic passport that holds the public key of the owner, together with basic information on the identity of that owner and, optionally, information on specific authority that may be exercised by the owner, as certified by a trusted certification authority.
Integrity	A characteristic of information that has not been altered in an unauthorized manner.
Non-repudiation	Based on evidence that the information has in fact been sent and received, the sender cannot successfully deny having sent it or the receiver having received it.
Root Authority	A trusted primary certification authority that certifies bodies under

Source: Adapted from Treasury Board Secretariat documents

A trusted primary *certification authority* that certifies bodies under it as accredited *certification authorities*. It implements the approved *certificate policy* and provides a common point of reference for *cross certification*.

glossary of selected terms related to public key cryptography services. Those terms appear in italics when they are first used in the chapter.

In 1995, the government 19.26 identified the need for secure and private transmission of data as a key issue that needed to be addressed. Under the direction of a subcommittee of the Council for Administrative Renewal, work was begun to establish a public key infrastructure for the government. The public key cryptography techniques use technology to encrypt, decrypt and verify data. In addition to the technical component, an infrastructure is needed to manage and co-ordinate the administration in departments and agencies of security regimes that relate to public key cryptography services.

Infrastructure development and management are under way

19.27 Under the direction of the Council for Administrative Renewal and its subcommittee, an interdepartmental working group commissioned a business case for developing a public key infrastructure for government. The business case put forward three options for deploying public key techniques, and recommended that the government adopt a government-wide solution.

19.28 The recommendation was accepted by the government. In late 1995, the Treasury Board endorsed the Government of Canada Public Key Infrastructure project (GOC PKI) and approved the related funding requirement. It was anticipated that the project would be delivered during 1998 and be ready for departmental use by December 1998. The Secretariat, as an oversight body, established and chaired a Policy Management Authority committee to set GOC PKI policies and provide a management framework for departments and agencies participating in the project. Working in partnership with a private

sector firm, the government's Communications Security Establishment (CSE) played the role of project manager in the development of the technical product. The CSE was also assigned the role of *root authority*, a central facility for the government.

19.29 In July 1996, the government entered into a contract with a private sector firm to develop a GOC PKI product to meet its requirements. In June 1998, the contractor released an interim GOC PKI product. The Communications Security Establishment expected that by December this release would be accepted on an interim basis and sanctioned for use by departments and agencies.

19.30 Four of the six departments that participated in the initial funding of the project have been using early releases of a commercial version of the product on a pilot basis. They expect to upgrade to the interim GOC PKI product when the CSE provides interim approval. In addition, a number of other departments and agencies have expressed interest; some have acquired the commercial product on a limited basis and are using it in a test mode, primarily for internal secure messaging.

19.31 The Policy Management Authority (PMA) committee established for the GOC PKI in early 1996 was chaired by the Acting Chief Information Officer of the Treasury Board Secretariat. A new Chief Information Officer was appointed in March 1997 and assumed the role of Chair in December 1997. Although Year 2000, the two-digit year code problem, became a top priority of the Chief Information Officer Branch, the GOC PKI project has remained a strategic priority.

19.32 In early 1998, it was recognized that additional resources would be needed to advance the development of policies and the management framework for GOC PKI. The Secretariat established an Interdepartmental PKI Task Force that, as of July, had a staff of about 15. The Task

In late 1995, the
Treasury Board
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Public Key
Infrastructure project.

Electronic Commerce: Conducting Government Business via the Internet

Force director became Co-Chair of the PMA committee. By early July 1998, some 11 subcommittees and working groups had been set up, involving over 300 staff from various departments and agencies (Exhibit 19.3). In addition, the Senior Interdepartmental Lead Committee of senior government managers was struck and took on an advisory role to the PMA committee.

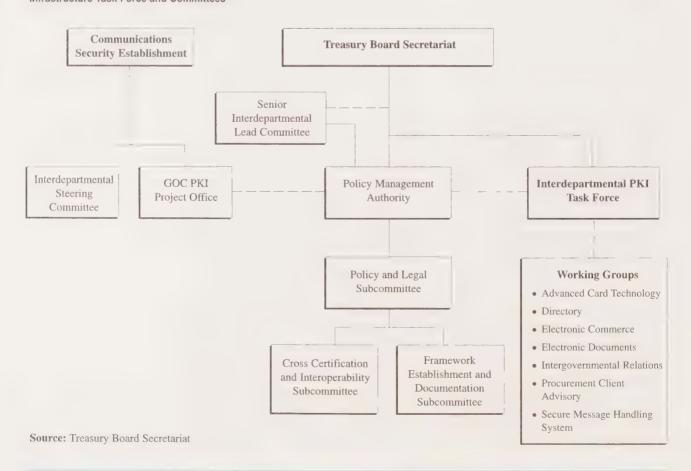
19.33 When we completed our audit in early July 1998 the government, under the direction of the PMA committee, had defined the need for eight *certificate policies* for GOC PKI. The policies represent four levels of security assurance: rudimentary, basic, medium and high. The PMA committee also directed the

development of, and subsequently approved, a framework of elements that need to be addressed in a certificate policy and a *certification practice statement*.

19.34 The certificate policy and certification practice statements are necessary instruments to govern the implementation and management of a public key infrastructure. These instruments are essential in *cross certification*, a process designed to ensure trust and confidence among users in different organizations that use a public key infrastructure. The Interdepartmental PKI Task Force was preparing draft policies and it expected the drafts to be complete and ready for consultation by August 1998. When the certificate policies

Exhibit 19.3

The Government of Canada Public Key Infrastructure Task Force and Committees



are adopted, all departments and agencies choosing to participate in the GOC PKI will develop certification practice statements that are in accordance with them.

19.35 We found, as of July 1998, that progress had been made in various areas of the GOC PKI project. An interim technical product had been released and was awaiting approval by the Communications Security Establishment; the management framework for the infrastructure component was being developed. However, we also observed several major risks to the project, which the following paragraphs discuss.

Applications using public key infrastructure have yet to be identified and developed

The business case for the GOC PKI project was prepared in order to identify options and recommend a course of action for providing public key cryptography as a measure for secure electronic commerce in government. Consequently, the options revolve around alternative ways of providing public key services. The analysis supporting the business case contemplated future requirements for public key cryptography services. However, the project has so far had limited involvement in identifying and facilitating the development of electronic business applications that would use the GOC PKI product when it becomes ready for use.

19.37 In preparing the business case, a working group conducted a survey to determine the extent of the demand in government for a public key infrastructure to support electronic commerce. The survey sampled 26 departments, agencies and Crown corporations, representing about 15 percent of government entities and some 60 percent of federal employees. In addition to the Treasury Board Secretariat about 14 entities, primarily larger departments, responded to

the survey. Although the survey had attempted to directly involve government business managers and strategic business planning personnel, the survey report observed that responses from some departments had been prepared by technical specialists in information security. While the report noted that those specialists were familiar with their departments' strategic business objectives, it also acknowledged that this factor could have affected the quality of the assessment of demand.

19.38 The survey report summarized the projected demand for encryption and electronic authorization services from 1995 to 1999 by user type, such as government employee, private sector company and citizen. The requirements were also categorized by degree of certainty, from possible to likely to firm requirement.

there would be firm requirements for about 45,000 government employee users and 8,000 private sector company users of encryption and electronic authorization services; no firm requirements among citizen users were projected. By 1999, however, it was estimated that government employee users could exceed 110,000 and citizen users could reach 5.5 million. The cost projections in the business case were based on information from the survey report.

19.40 During 1998, the Secretariat convened several meetings to discuss the demand for the commercial product in order to plan a government-wide procurement strategy. Many departments and agencies expressed interest, but most were not ready to commit to a purchase; the product's lack of business applications was identified as a major barrier. A common application that has emerged as a driving force for using the commercial product would be internal secure messaging among employees. This is consistent with the projections made in the survey report. It estimated that of the

We found, as of July 1998, that progress had been made in various areas of the government's Public Key Infrastructure project. Electronic Commerce: Conducting Government Business via the Internet

45,000 government employee users expected to require the services by 1999, some 25,000 would require them for internal secure electronic mail.

In the meantime, program managers and administrators in departments and agencies have been considering alternative means of delivering services and streamlining administrative and operational processes, mostly independent of the GOC PKI project. Through various interdepartmental committees and working groups, as well as senior management advisory and oversight committees, there is a general awareness and exchange of information on different business applications and initiatives being developed. Yet no direct action has been taken to co-ordinate new business. processes that use the Internet with the development of corresponding computer applications and the public key cryptography services that support them.

There is a risk that the GOC PKI 19.42 project will not be used to its full potential upon delivery. In our view, without direct action it is unlikely that business processes using the Internet and the corresponding computer applications will be ready when the public key cryptography services provided through this project become available and are officially approved for use in government. While the Year 2000 date code problem takes priority, action is needed to encourage government program managers and business planners to consider using the Internet as an alternative means of delivering services. Further, there is a risk that applications may focus on internal administrative and operational processes, although the government's technology Blueprint also envisioned external electronic service delivery.

Need for further analysis of implications for dealing with the public

19.43 Users of public key cryptography services need to be registered before they can be recognized as users. They are registered only after their identity, level of authority and required level of assurance are validated. Registered users are assigned unique digital certificates. The body that issues and manages these certificates is known as a certification authority. Like electronic passports, the certificates identify the specific registrants and their level of authority and assurance. They support the processes of encrypting, decrypting and verifying the transmitted data. Users under the same certification authority should be in a position to enjoy the benefit of secure transactions among themselves.

19.44 In an era of open public networks, users under different certification authorities will need to interact with one another, and certain transactions will require a secure environment. Confidence and trust in the system can be maintained only if certification authorities trust each other. This trust can be built through cross certification, a process by which the security regime and the administration of digital certificates are verified. Cross certification also involves matching assurance levels for transactions.

19.45 The process of cross certification is technical and complex and poses management challenges among different government organizations. It is a prime reason for the government to develop strict certificate policies and the infrastructure component of its GOC PKI project. The extension of public key cryptography services beyond government into the public domain further complicates the process. It also introduces many other issues.

Action is needed to encourage government program managers and business planners to consider using the Internet as an alternative means of delivering services.

- 19.46 For example, a government employee would logically be registered by either his or her own organization or another government entity charged with that responsibility. For members of the public, however, it is not obvious who the certification authority should be, nor is it a trivial matter.
- 19.47 If the government were to take on the responsibility of certifying members of the public, it could have each department and agency register public users of its own programs and services, or set up a single point of contact to register public users for all their transactions with different departments and agencies, or some combination of the two. Alternatively, the government could have public users register with private sector certification authorities and it could cross certify with those authorities to support secure electronic commerce transactions between the government and the public.
- Each option has its advantages, disadvantages and ramifications. An every-department-for-itself approach would cause duplication and result in higher costs. In addition, members of the public might have to possess many digital certificates in order to receive services from the government or transact with it. At issue is the notion of "one user, one certificate" — that is, a public user would obtain and use a single set of certificates in doing business with the government. Whatever the government's eventual policy on issuing certificates, some members of the public would expect the government to make every effort to minimize the number of certificates they need.
- 19.49 In comparison, having a single government organization serve as the certification authority for public users could raise privacy issues and exposure to legal liability for the Crown. It would necessitate maintaining a high concentration of personal information electronically on one site, introducing the

risk that the government certification of a public user could be misused or abused.

- 19.50 If the government were to use private sector certification authorities, public users would register with them and the government would need to cross certify with each of those authorities. This would be more complex and could pose a significant challenge. In addition, the government would need to address policy issues such as whether to select private sector certification authorities for cross certification, whether to limit their number, and whether and to what extent the government ought to encourage private sector investment in this area.
- 19.51 Another issue is the potential cost to the public. Regardless of the certification authority chosen, costs will be incurred for the initial registration of a public user, for ongoing maintenance, and for changes and renewals as necessary. If it were a government service, the extent to which costs would be recovered through user fees would be a policy matter; if it were a private sector service, the public would likely be charged a fee. These factors will impact the services that the government wishes to provide electronically and it will need to consider them carefully.
- While the demand survey 19.52 supporting the GOC PKI project forecast a significant requirement for public use of encryption and authorization services, its technical architecture focussed primarily on departments and agencies. There was limited dialogue between the Policy Management Authority committee and potential private sector service providers before 1998. It was only in recent months that the implications of certifying the public began to be analyzed. A May 1998 report of one interdepartmental working group recommended that resources be allocated to conduct an in-depth assessment and feasibility analysis and to identify a preferred option for registering external users.

Some members of the public would expect the government to make every effort to minimize the number of certificates they need.

Electronic Commerce: Conducting Government Business via the Internet

The issue of certifying public users is complex and has major implications.

Public key cross certification is new and complex, and it has yet to be demonstrated in live applications.

19.53 The issue of certifying public users is complex and has major implications. If the government does not address it in a timely manner, other options may emerge and later complicate the task of co-ordinating a common approach. This could significantly compromise the potential return on the government's investment in its GOC PKI project and curtail the scope of secure government business conducted via the Internet.

Other development and implementation challenges to overcome

19.54 Public key cross certification is new and complex, and it has yet to be demonstrated in live applications. It calls for regimented discipline and strict adherence to certificate policies and the related practice statements. Within government, the current technical architecture contemplates seven certification authorities at the departmental level, with the Communications Security Establishment (CSE) serving as the central facility to conduct cross certification. Draft certificate policies are still being developed and have yet to be adopted by the certification authorities. The application of cross certification could pose a major challenge to implementing the government's public key infrastructure project.

19.55 We also noted that product development is experiencing delay. The original contract called for the technical product to be delivered in 1998, in time for the government to accept it and approve its deployment by the end of the year.

19.56 The contractor delivered an interim version in June. Information provided by the Communications Security Establishment showed that an update will be provided in the fall, and interim approval for use is expected by December 1998. According to the CSE, the interim

product is being tested to support the rudimentary and basic levels of assurance, and possibly the medium assurance level. A final product supporting all levels of assurance is now expected for the summer of 1999, and the government's final acceptance and approval by the end of that year.

19.57 In addition, standards for cryptography products are evolving. Through the GOC PKI project, the government has adopted certain technical standards to allow different technologies in government to operate with one another. These standards are not sanctioned by a formally accredited standard-setting organization and they are subject to market forces. Since the standards are evolving, there is a risk that they may be superseded by others, causing further delays in product development and possibly leading to incompatibility with some trading partners and parts of the private sector.

19.58 The business case for the project estimated a total cost, for 16 departments, of approximately \$35 million in the five years ending 1999, and ongoing operating costs of about \$4 million a year thereafter. The cost estimates did not allow for potential costs of technological upgrades, maintenance and support. In a rapidly changing field such as this, the understatement of annual operating costs could be significant. Furthermore, the business case focussed primarily on using cryptography within the government. The estimates did not include costs related to the certification of public users and the possible need to fund private sector certification authorities or to share costs with them. If the estimates do not reflect the full costs of a project, it will be difficult to assess and report performance at a later date. Moreover, it can call into question the project's expected return on investment.

19.59 The risks and challenges that we have noted can severely compromise the scope and use of the public key

infrastructure to provide a secure environment for electronic commerce. They can undermine the government's policy of making electronic commerce its preferred way of doing business, as well as its goal of becoming a model user of the information highway.

19.60 The government should act expeditiously to identify and develop applications requiring secure data communication. It should involve business and program managers from departments and agencies directly with the Treasury Board Secretariat's Public Key Infrastructure Task Force and the Government of Canada Public Key Infrastructure project, to optimize the use of the infrastructure in support of secure electronic commerce throughout the government.

19.61 The government should address concurrently the issue of certifying public users and the development of the technical product and management framework for its public key infrastructure, including consulting with the private sector and potential certification authorities for the public.

19.62 The government should manage the project risks that have been identified, and others as they arise. In particular, it should:

- implement some small applications as early as possible to demonstrate that cross certification among a small number of government certification authorities is viable and that different platforms of technology can interoperate;
- maintain a close watch over evolving standards to ensure that its public key infrastructure remains compatible; and
- broaden the cost estimates in the business case to better evaluate the return on investment and provide an appropriate basis for making decisions and reporting performance.

Government's response: We are pleased that the Auditor General has undertaken an audit of electronic commerce. Electronic commerce or electronic service delivery will be one of the main vehicles used to improve services to Canadians. The rapid technological advances occurring in this field make this an area that is in constant change. Since the completion of the audit in July, progress continues to be made on a number of fronts.

We agree with the need to involve business and program managers with the Treasury Board Secretariat's Public Key Infrastructure (PKI), and consultations with these groups are under way. A recently completed inventory of PKI activity across government lists over a hundred initiatives planned and/or under way. This consultation and information sharing will continue. A senior-level committee composed of business managers from across government is providing the program managers with leadership in this field.

Consultations with the provinces and with the private sector on issues such as the certification of public users and cross certification are under way. The Public Sector Chief Information Officer Council created last March is examining these issues in the context of a harmonized approach to PKI implementation across Canada. The proposed model GOC PKI certificate policy is currently under review by both public and private sector organizations.

The original implementation of PKI in seven departments to meet their internal needs was established as a formal project and is being managed as such by Communications Security Establishment. The government's move to electronic service delivery will consist of many projects initiated and managed by individual departments. The Treasury Board Secretariat will provide co-ordination and oversight to these initiatives collectively but will be careful

Electronic Commerce: Conducting Government Business via the Internet

The Department of Justice conducted a review of federal statutes for language that might indicate a paper bias.

not to compromise the accountability of the individual project managers.

The overall approach to the public key infrastructure project is to use off-the-shelf commercial software. This is cost-effective and ensures more compatibility than a made-to-order approach. The Task Force is keeping a close watch over evolving standards to ensure continued compatibility. Consultations with other bodies across the country and internationally are providing the government with up-to-date information on the current trends and activities in this field.

In developing their business cases, departments will not be making a case for PKI per se. They will be making business cases for PKI-enabled applications to meet specific business requirements. These PKI-enabled applications will permit departments to do business securely within the government, between governments and with Canadians. The government's approach is to complete Phase I, putting in place the infrastructure to support these PKI-enabled applications as they are developed and deployed.

Legal Issues

Resolution of potential limitations in legal statutes is proceeding

In 1995, a working group was tasked by the Council for Administrative Renewal to identify and address legal issues associated with the government's security strategy for electronic information. Its report provided an overview of the various legal issues involved. In March 1996, the Department of Justice mandated an Electronic Commerce Secretariat to provide legal advice on electronic commerce technology. It was recognized that there was no separate legal framework for electronic commerce and that legal and commercial frameworks designed for a non-digital age might need to be adapted

for doing business in an electronic environment. A proposed framework included three objectives:

- making statutes media-neutral (applicable to any medium);
- ensuring the recognition of secured electronic authorization; and
- revising evidence rules for electronic records.
- 19.64 The Department conducted a review of federal statutes for language that might indicate a paper bias. Through an electronic search of key words such as "forms", "notarized" and "writing", the Department found that 330 of the nearly 600 statutes contain provisions that use such terms.
- 19.65 Further to the review, instead of amending the statutes individually the Department's assessment was that preparing general or global provisions would be more efficient and provide for more consistency. Among other things, the general provisions would serve as a tool for interpreting existing statutes in a media-neutral way. They would represent an additional option and would not preclude the use of paper-based mechanisms under existing statutes.
- 19.66 Moreover, the Department of Justice determined that the *Canada Evidence Act* ought to be amended to address the introduction of electronic records into evidence. The 1995 working group had also identified a possible need to review and amend this Act.
- 19.67 In early May 1998, the
 Department released a consultation paper
 entitled "Facilitating Electronic
 Commerce: Statutes, Signature and
 Evidence". The paper put forward the
 Department's proposal, as described in
 paragraphs 19.65 and 19.66, to resolve the
 potential limitations that it had identified.
 It expected to conclude consultations over
 the summer. Subsequent to our audit, the
 Department advised us that it had received
 endorsement from the government to

proceed with the drafting of amendments and that the draft legislation would be ready for tabling in Parliament in the fall of 1998.

19.68 Moreover, the Department has been developing a harmonized approach with the provinces and territories. It participates in the electronic commerce project of the Uniform Law Conference of Canada. Among other matters, the Conference planned to give final approval in late August to its draft *Uniform Electronic Evidence Act*, the substance of which was being incorporated into the proposed amendments to the *Canada Evidence Act*.

Legal liability is a concern that requires further analysis and resolution

19.69 Secure electronic commerce via the Internet provides an alternative means of conducting business. However, losses and damages can occur through ignorance, negligence, abuse or deliberate attempt, and can lead to legal liabilities. The delivery of government services electronically introduces new risks and exposure that can result in legal liability for the Crown.

19.70 The need to address such potential liabilities has been generally acknowledged. In addition to legislation, the legal framework includes other instruments such as memoranda of understanding, contractual agreements and certification policies that form the basis for cross certification. Early analysis by the legal subcommittee showed that these instruments could be used to help limit the Crown's exposure to the risk of liability. Nevertheless, the significance of legal exposure, if any, where no contractual relationship exists and third parties choose to rely on government information still needs to be determined.

19.71 Consequently, the members of the government's legal community have suggested that every application using the public key infrastructure be preceded with

a threat and risk assessment from a legal perspective. The assessment would identify and assess potential legal vulnerability so that it could be addressed accordingly, using various instruments in the legal framework. The Policy Management Authority committee also called for participating members of the GOC PKI project to put forward various scenarios for use in further analyzing the liability issues.

19.72 The government should ensure that issues of potential liability are identified and addressed as it introduces new electronic commerce initiatives.

Government's response: New legislation will provide a framework for electronic commerce. The government is aware of concerns about liability and will ensure that departments are aware of any legal implications related to electronic commerce, including potential liability, and that they manage them accordingly.

Action Needed to Develop Direction and Adequate Common Technology Infrastructures

Government Services Using Information Technology envisioned that the government would use information technology not only internally but to extend its services to the public electronically. Seamless access to services will require support from common technology infrastructures, so that the various technology platforms of different departments and agencies can interoperate, that is, operate readily with each other.

Senior sponsor needed to lead electronic commerce in government

19.74 To make electronic commerce the preferred way of doing business by 1998, it would be reasonable to expect that the government would follow its 1995 policy announcement with a strategic plan, led by a senior sponsor and co-ordinated with

The delivery of government services electronically introduces new risks and exposure that can result in legal liability for the Crown.

Electronic Commerce: Conducting Government Business via the Internet

plans and actions in departments and agencies.

19.75 Under the direction of the Treasury Board Secretariat, a strategic paper entitled "Electronic Commerce Commitment and Agenda for Action" was prepared in 1995 to lead the electronic commerce initiative. The paper set out a number of initiatives and identified a number of departments and working groups that would pursue them. Because of staff turnover and changes in priorities at the Secretariat, however, many initiatives were not continued beyond 1996.

As of early July 1998, no overall strategy or pian had been developed to update the 1995 strategy and to lead the government toward its goal.

19.76 As of early July 1998, no overall strategy or plan had been developed to update the 1995 strategy and to lead the government toward its goal. There was no statement of what is to be accomplished by 1998 or what being a model user by 2000 entails. Furthermore, there was no common definition of electronic commerce in government. Departments and agencies have been developing various electronic initiatives, but no attempt has been made to co-ordinate them. Although an interdepartmental committee of deputy ministers requested that the progress of electronic commerce in government be monitored and specific information collected, there has been no attempt to do so.

19.77 The primary effort at the Secretariat to advance electronic commerce in government has been by its PKI Task Force. Although cryptography services are critical to building confidence and trust in secure electronic commerce, they are not essential for all types of internal and external transactions of government. For example, among the four electronic initiatives that we examined, only one has a stated requirement for the services afforded by the government's public key infrastructure.

19.78 Departments and agencies are advancing their own electronic commerce initiatives. To advance electronic

commerce government-wide, however, there is a need for a senior sponsor to assess the government's progress and to set future direction. Without this sponsor, the government risks not achieving its policy objective and its commitment to become a model user. More significantly, the objective envisioned in its information technology Blueprint — to renew government services using information technology — may not be fully realized.

Further efforts required for technology standards and guidelines

19.79 The Chief Information Officer Branch of the Secretariat is responsible for setting government-wide standards. Standards set by the Secretariat are promulgated as Treasury Board Information Technology (TBIT) Standards and form part of Treasury Board policies for the government.

19.80 Under the government's public key infrastructure project, progress is being made in identifying and adopting open standards that will support cross certification and the use of cryptography services. For example, standards are being set for electronic directories in government so that certification authorities could include in them electronic certificates for access by government or public users.

However, efforts to update TBIT Standards are slow. Technology standards are necessary to support common infrastructures so that different technology platforms can interoperate. Common infrastructures facilitate seamless access by the public to information and services from different departments and agencies. In Chapter 16 of our 1996 Report, we noted that many of the TBIT Standards were of questionable relevance and were being overtaken by de facto standards in the information technology industry. During the present audit, we noted that the need for standards to support common infrastructures in government had been discussed in many interdepartmental

forums. But action has yet to be taken to identify the types of standards that are necessary and the specific standards to be adopted for use by government.

- 19.82 Through the work of an interdepartmental committee, the Treasury Board Secretariat has prepared an Internet Guide. The Guide is available on the Internet and provides technical guidance on creating websites. We found that the scope of the guidance could be broadened and that more emphasis could be placed on its use by departments and agencies.
- The Guide focusses primarily on 19.83 technical advice for creating websites. It also contains some guidance to help users in departments and agencies address the government principle of "common look and feel" and "ease of use". The principle of common look and feel is that websites should share certain common characteristics so that public users can readily identify that they are accessing government websites. The principle of ease of use is that websites should be easy to navigate, so that users can access information readily and efficiently. However, broader guidance on issues such as analyzing the impact of an Internet service on users and reviewing security and privacy concerns is not provided in this Guide or others.
- 19.84 It also came to our attention that access to and use of the Secretariat's Internet Guide were not tracked and there was no mechanism for feedback. Its length does not facilitate viewing on the Internet, and paper copies have not been disseminated.
- 19.85 In 1995, Public Works and Government Services Canada received approval to establish a Canada Internet site that would provide a federal government presence on the Internet. It would also provide single-window access to government information and services. The concept of a single window was discussed in the government's information

technology Blueprint in 1994 and was supported by the Information Highway Advisory Council in its 1995 report. The site, http://www.canada.gc.ca, became operational in December 1995. Its usage has increased approximately tenfold, from about 500,000 hits per month in early 1996 to about five million hits per month in early 1998.

- 19.86 The Canada Internet site met the initial requirement to provide a common point of access to government information. Yet it is not user-oriented and does not facilitate seamless access to various government services, especially those involving more than one department or agency. In most instances, a user would need to know specifically which department or agency provides which particular services in order to access them. Since its implementation, the site has remained static; changes have not gone beyond routine maintenance. The Department advised us that it is aware of the site's shortcomings and plans to address them. Subject to resource availability, it plans to adopt a client-driven orientation for the site. Since the audit, the Department has advised us that actions are under way to help users access information on the Canada site.
- 19.87 Two and a half years after the policy statement on electronic commerce, there is no senior sponsor to set future direction and many issues remain to be addressed in order to achieve the common infrastructures needed.
- 19.88 The government should appoint a senior sponsor for the goals of advancing electronic commerce in government and making government a model user of the information highway. In particular, it should consider:
- defining electronic commerce in government;
- developing strategy and setting direction for electronic commerce beyond 1998, identifying deliverables

Action has yet to be taken to identify the types of standards that are necessary and the specific standards to be adopted for use by government.

Electronic Commerce: Conducting Government Business via the Internet

and indicating when they may be completed;

- assigning responsibilities, clearly defining the roles and terms of reference for those assigned and supporting them with appropriate authority and resources;
- providing oversight and monitoring progress; and
- reporting performance to Parliament on a periodic basis.

19.89 The Treasury Board Secretariat should accelerate its efforts to identify and adopt technology standards that will support common infrastructures in government. It should ensure that standards to support the government's public key infrastructure are in place and are followed when the cryptography product becomes ready for deployment.

Government's response: In April of this year the government stated that to further enhance its commitment to the principles of service improvement, it has established within the Treasury Board Secretariat (TBS) a new sector with the mandate to focus on government-wide approaches to improving services to Canadians. The creation of the new sector was initiated as part of the Secretariat's continued and concentrated effort to ensure that electronic commerce becomes the government's preferred way of doing business. The new sector is focussing on the government's priority of "connecting" Canadians and on making the information infrastructure available to all Canadians by the year 2000. The electronic service delivery channels will incorporate and make use of the public key infrastructure, the legal framework and the common technology infrastructures that are the focus of this audit.

Recently the Prime Minister indicated the government's support for electronic commerce, saying that "the federal

government is not alone in tackling issues related to electronic commerce....Together with business, consumers and other governments, we are making progress on various electronic commerce issues such as taxation, intellectual property, privacy, legal frameworks and cryptography policy."

It should be noted that sponsorship is a corporate responsibility of the government, with departments playing a key role. Senior sponsorship is the responsibility of more than just one department or deputy. Electronic commerce is a new way of doing business and demands new approaches. The issues are horizontal and touch all departments. It is important to recognize this horizontal responsibility.

The government's progress in adopting electronic commerce will be reported in the Treasury Board Secretariat's annual Report on Plans and Priorities and Report on Performance.

The government is addressing the need for information technology standards. Key technology standards for secure messaging, directories, "smart cards" and documents are being examined and adopted or proposed for adoption. The establishment of additional standards to support PKI will be undertaken as the need is identified, based on their relative priorities. An internal review of the standards needed for implementation of PKI, electronic commerce and service delivery will be undertaken in the fall. This review is expected to identify a number of standards projects that should be initiated or reactivated.

Electronic Initiatives in Government — A Profile

19.90 As part of the audit, we selected and reviewed four electronic commerce initiatives in the government. The purpose of the review was to identify good practices and lessons learned from the government's early experience in

delivering services via the Internet. A brief description of the initiatives and a summary of our findings appear in Exhibit 19.4.

19.91 All four initiatives use the Internet in delivering government services to individuals or Canadian businesses. Three of them charge fees for services rendered. When fully implemented, two initiatives will be used to complement existing hard copy services; the other initiatives will become the only means of access to those services.

19.92 Some initiatives are in pilot mode, while others have been fully implemented. The initiatives range from the simple to the complex. They require security features in varying degrees, from being able to authenticate the identity of users to protecting the integrity of transmitted data and collecting user fees.

Good practices and potential lessons learned

One initiative involved the re-engineering of a business process in co-operation with stakeholders. The National Energy Board is developing the Electronic Regulatory Filing system with a group of private sector companies it regulates and the Ontario Energy Board. When implemented, it will change the process of filing submissions for Board hearings to one that receives submissions electronically. It will also allow potential interveners in hearings to download relevant portions of the documents for their use. Currently, a single hearing often necessitates the copying and distribution of hundreds of thousands of pages of the document by the company filing the submission. In developing the initiative, the Board took into consideration the impact on program participants (regulated oil and gas companies), other levels of government (provincial regulators) and other interveners (the public, or other private sector firms that could be affected by a submission).

19.94 Two of the initiatives we looked at considered the opportunity for private sector partnership and are now involving private sector companies in delivering services electronically. Through its MERX system, Public Works and Government Services Canada outsources the provision of information to suppliers for purposes of tendering bids for procurement contracts. The Department and participating provinces provide the content; the private sector firm develops and maintains the website and the billing system to charge and collect fees from users.

19.95 In collecting user fees for its Online statistics application, Statistics Canada uses the service of a financial institution to handle all credit card transactions. A solution internal to government would have required the use of public key cryptography services. It would also have required Statistics Canada to certify the users directly or to cross certify with the certification authorities for those users. Further, as we have noted, approval to deploy the technical product for the government's public key infrastructure is not expected until December 1999 and this would have delayed the implementation of Statistics Canada's initiative. As of July 1998, the Online statistics initiative had been functional for about two years.

19.96 The government's Enhanced Management Framework for managing information technology projects calls for the preparation of business cases. Electronic initiatives can be developed for various purposes, such as to experiment with new service delivery mechanisms, to streamline operations and reduce costs, or to respond to business pressures and user demands. Without a business case that states the desired benefits of an initiative, it would be difficult to later assess its merits. In the absence of cost estimates at the start, cost overruns and broadening of scope would be difficult to control. With one exception, we found that business

Exhibit 19.4

Four Electronic Commerce Initiatives

Electronic Initiative	MERX	Online statistics	Trade-marks	Electronic Regulatory Filing
Department / Agency	Public Works and Government Services Canada	Statistics Canada	Industry Canada	National Energy Board
4/2	National electronic tendering service Developed as a co-ordinated federal-provincial action Operated by the private sector at a fixed cost to government Users can view and, for a fee, download data Operational, most functions implemented	Services aimed at professionals seeking statistical data from CANSIM and other data bases Fees charged on a full cost recovery basis Security concerns limited to the proper billing of fees Fully implemented	Electronic filing of applications for trademarks High level of assurance needed on data integrity and identification of the applicant Currently in first of four phases of development	Electronic oil and gas regulatory filing All documents retrievable electronically on demand, resulting in significant savings to the industry Data integrity a key concern Entire filing and hearing processes modified with new system Currently in pilot stage, phased implementation planned for December 1998
	Application developed with provincial government partners Outsourced to private sector Backup plan available during transition from previous system	Considered and used private sector solution to manage credit card payments	Developed with input from the private sector	Business case prepared and updated Developed in close co-operation with industry and the Ontario Energy Board Project aligned on business needs Legal and security risks identified
	Business case not updated No threat and risk assessment to determine security requirements	No business case No threat and risk assessment to determine security requirements Legal concerns considered after initiative was implemented	No business case No threat and risk assessment to determine security requirements	No threat and risk assessment to determine security requirements Management of change and technical complexity continue to be risk areas

cases had not been prepared for the initiatives we reviewed.

19.97 We also found that none of four departments and agencies has conducted threat and risk assessments of the initiatives. Threat and risk assessments are usually conducted to determine the level of security required for transactions and to assess alternative solutions for security. They help to identify the most appropriate and cost-effective security solution.

In our view, existing electronic commerce initiatives can provide a wealth of information for other projects. In addition to learning from the experience gained in these initiatives, other projects may use specific features and elements of them. For example, other government organizations may also have business applications that require secure filing of documents, or may also charge user fees for services. Although there is a list of electronic commerce initiatives in government, no group has been given the responsibility to keep it up-to-date, or to review the initiatives and disseminate the experience gained to departments and agencies.

19.99 The Treasury Board Secretariat should ensure that an inventory of electronic commerce initiatives in government is maintained and updated periodically. It should analyze the initiatives for good practices and lessons learned, and share the information with departments and agencies so that they can take advantage of others' experience.

Government's response: We agree with the need to ensure that information on electronic commerce initiatives is shared across the government in order to take advantage of the experience gained by departments. This recommendation must be balanced with the need to not overburden departments with requests for more reporting. Pathfinder projects are currently highlighted by TBS. An informal inventory will continue to track initiatives and their progress.

Conclusion

19.100 The government is making progress in the areas we examined and is moving toward conducting business via the Internet by addressing barriers to electronic commerce.

19.101 In particular, it is developing a technical solution to concerns about the security of transactions conducted on open public networks. An interim product is available and is expected to receive government approval by the end of 1998. The management framework for this cryptography project is being developed.

19.102 In considering the legal framework, the government has identified language containing a paper bias in all federal statutes and is proceeding with a resolution. Through an interdepartmental committee, the Treasury Board Secretariat has produced an Internet Guide that offers technical advice to departments and agencies developing websites, and there is a Canada site that provides a federal government presence on the Internet.

19.103 At the same time, we identified several key risks that could undermine the public key infrastructure project that the government has undertaken to support its secure electronic commerce. We found that the business process using the Internet and the development of related computer applications are lagging behind the progress of the public key infrastructure project, creating a risk that it may be underutilized when it is completed. The need to certify public users and the implications of doing so present another risk. If not addressed on a timely basis, it could severely limit the use of the infrastructure to support external service delivery. Furthermore, we noted some challenges to the project's development and implementation that need to be overcome.

In our view, existing electronic commerce initiatives can provide a wealth of information for other projects.

Electronic Commerce: Conducting Government Business via the Internet

19.104 We also noted that electronic commerce can have important implications for the government's legal liability; further analysis and resolution of this issue are required.

19.105 Moreover, we observed that a senior sponsor is needed to advance electronic commerce in government. Many issues remain to be resolved before

common infrastructures are in place to support seamless delivery of services across departments and agencies. Strategy and direction are needed to define the government's objectives and goals for electronic commerce beyond 1998. Further action will also be required to meet the government's commitment to become a model user of the information highway by 2000.



About the Audit

Objective and Scope

The audit focussed on the conduct of government business via the Internet, a predominant area of growth in electronic commerce. Government business includes administration, operations, and delivery of programs and services. The use of the Internet in conducting government business is an important part of the government's policy of making electronic commerce its preferred way of doing business. The government's commitment to serve as a model user of the information highway supports the Information Highway Advisory Council's recommendation and forms part of the platform toward Canada's goal of becoming a world leader in electronic commerce.

The audit objective was to assess the government's progress in three key areas:

- the development and implementation of a public key infrastructure for the federal government as a measure for secure electronic commerce;
- the review of and changes to the legal framework in support of transacting business electronically; and
- the implementation of common infrastructures to support government administration, operations and delivery of services via the Internet.

The audit sought to identify and highlight issues in these areas that require resolution to help advance the use of the Internet in government operations, both internally and externally. We did not audit other emerging policies such as those relating to privacy, cryptography, intellectual property and taxation. Nor have we examined the government's role and efforts in broadening public access and enhancing skills and awareness of the information highway.

We also examined four electronic commerce initiatives being pilot-tested or operating with the use of the Internet in government service delivery. They include trademarks registration at Industry Canada, electronic regulatory filing at National Energy Board, the MERX tendering service at Public Works and Government Services Canada, and Online statistics (CANSIM and trade data) at Statistics Canada.

Criteria

The general criteria used in the audit were as follows:

Security

- Clear roles and responsibilities should be established for ensuring proper safeguards for electronic commerce within and outside government.
- Risks and issues concerning electronic commerce, specifically confidentiality of information and authentication of senders/recipients, should be identified and addressed in a cost-effective manner.

Legal framework

• The legal framework should provide for appropriate definition and interpretation of records and signatures in support of the use of electronic commerce in government.

Electronic Commerce: Conducting Government Business via the Internet

Common infrastructures

- Government-wide standards and guidelines should be in place to ensure support of electronic commerce
 with common technological infrastructures that offer reliability, interoperability and scalability. Policies
 and guidelines to effect a government-wide approach to providing electronic services should exist and be
 readily accessible by the intended community and easy to use.
- Measures should be in place to ensure proper conformance to standards and policies.

Selected electronic commerce initiatives

• Electronic commerce initiatives should be developed and managed to meet business needs with due regard to security, legal requirements and interoperability.

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Report of the Auditor General of Canada to the House of Commons – 1998 Table of Contents

Volume 1 – April 1998

Chapter

	Foreword and Main Points
1	Expenditure and Work Force Reductions in the Public Service
2	Expenditure and Work Force Reductions in Selected Departments
3	National Defence – Equipping and Modernizing the Canadian Forces
4	National Defence - Buying Major Capital Equipment
5	Revenue Canada, Department of Finance and Department of Justice – Interdepartmental Administration of the Income Tax System
6	Population Aging and Information for Parliament: Understanding the Choices
7	Federal Laboratories for Human and Animal Health Building Project
8	Department of Finance – Effectiveness Measurement and Reporting
9	Reporting Government Financial Results: The Importance of Complying with Objective Accounting Standards

Volume 2 – September 1998

Chapter

	Foreword and Main Points
10	Canadian Human Rights Commission Human Rights Tribunal Panel
11	Agriculture and Agri-Food Canada - Cash Advance Program
12	Creation of the Canadian Food Inspection Agency
13	National Energy Board
14	Indian and Northern Affairs Canada - Comprehensive Land Claims
15	Promoting Integrity in Revenue Canada
16	Management of the Social Insurance Number
17	Patented Medicine Prices Review Board
18	The Financial Information Strategy: A Key Ingredient in Getting Government Right

Report of the Auditor General of Canada to the House of Commons – 1998 Table of Contents (cont'd)

Volume 3 – December 1998

Chapter

	Matters of Special Importance – 1998 Foreword and Main Points
19	Electronic Commerce: Conducting Government Business via the Internet
20	Preparedness for Year 2000: Government-Wide Mission-Critical Systems
21	Canadian International Development Agency – Geographic Programs
22	The Federal Science and Technology Strategy: A Review of Progress
23	Veterans Affairs Canada – Disability Pensions
24	Revenue Canada – International Tax Directorate: Human Resource Management
25	Transport Canada – Investments in Highways
26	Contracting for Professional Services: Selected Sole-Source Contracts
27	Grants and Contributions: Selected Programs in Industry Canada and Department of Canadian Heritage
	Other Observations and Appendices
28	Follow-up of Recommendations in Previous Reports
29	Other Audit Observations

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Report of the Auditor General of Canada to the House of Commons

Chapter 20
Preparedness for Year 2000:
Government-Wide Mission-Critical Systems

December 1998

Report of the Auditor General of Canada to the House of Commons

Chapter 20
Preparedness for Year 2000:
Government-Wide Mission-Critical Systems

This December 1998 Report comprises 11 chapters, including "Matters of Special Importance", as well as a Foreword and the Main Points from the April, September and December 1998 Report chapters. In order to better meet clients' needs, the Report is available in a variety of formats. If you wish to obtain another format or other material, the Table of Contents and the order form are found at the end of this chapter.

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Chapter 20

Preparedness for Year 2000

Government-Wide Mission-Critical Systems The audit work reported in this chapter was conducted in accordance with the legislative mandate, policies and practices of the Office of the Auditor General. These policies and practices embrace the standards recommended by the Public Sector Accounting and Auditing Board (PSAAB) of the Canadian Institute of Chartered Accountants. The numbered paragraphs in bold face represent recommendations.

Table of Contents

		Page
Main	Points	20-5
Introd	luction	2()-7
	Focus of the audit	20-7
Obser	vations and Recommendations	20-7
P	Canadian Food Inspection Agency — inspection services for food safety and animal and plant health National Defence — emergency assistance and support Human Resources Development Canada — income security services Indian and Northern Affairs Canada — First Nations transfer payments and trust funds Revenue Canada — border crossing services for commercial goods Royal Canadian Mounted Police — law enforcement services rogress Monitoring by Treasury Board Secretariat Survey results for systems supporting government-wide mission-critical functions Many mission-critical systems remain at risk nitiatives to Address Common Needs Some progress made in addressing exposure for Year 2000 Work plan needed for remaining horizontal issues eporting Information to Ministers and Parliament Information on Year 2000 urgency and progress has been provided to ministers Information to Parliament needs to be improved	20-7 20-8 20-11 20-13 20-15 20-17 20-18 20-20 20-23 20-25 20-25 20-26 20-27 20-27 20-27
Concl	•	20-27
	t the Audit	20-29
Exhib	its	
20.1 20.2	Government-Wide Mission-Critical Functions Canadian Food Inspection Agency — Inspection Services for Food Safety and	2()-9
20.2	Animal and Plant Health National Defence — Emergency Assistance and Support	20-11 20-12
20.4	Human Resources Development Canada — Income Security Services	20-14
20.5	Indian and Northern Affairs Canada — First Nations Transfer Payments and Trust Funds	20-16
20.6	Revenue Canada — Border Crossing Services for Commercial Goods	20 17
20.7	Royal Canadian Mounted Police — Law Enforcement Services	2()-19
20.8	Year 2000 Project Model and Percentage Level of Effort	20 21
20.9	Year 2000 Progress of Systems Supporting Government-Wide Mission-Critical Functions	2()-22





Preparedness for Year 2000

Government-Wide Mission-Critical Systems

Main Points

- 20.1 The Year 2000 problem was caused by the past programming practice of coding the year with two digits rather than four. On 1 January 2000, certain computer applications and devices could fail or malfunction. In 1997, we reported that the government's rate of progress in preparing for Year 2000 had generally been slow; if it were to continue at the same rate, government systems probably would not be ready in time.
- 20.2 In 1998, we audited some key computer systems and devices that support six mission-critical functions in government. The functions were inspection services to contribute to food safety; emergency assistance and support; income security services; First Nations transfer payments and trust funds; border crossing services for commercial goods; and law enforcement services. We concluded that as of 30 June 1998, several key systems supporting three of those functions remained at risk of not becoming fully compliant before 2000.
- **20.3** We observed that the government has accelerated the pace of its efforts since our 1997 audit and has made progress in various areas, including:
 - ranking Year 2000 as a top priority;
 - monitoring government-wide progress of systems and devices that support mission-critical functions in government;
 - advancing certain common horizontal initiatives; and
 - engaging the concern of ministers and advising them of the urgency of Year 2000 efforts.
- 20.4 However, our review of the 30 June 1998 survey results summarized by the Treasury Board Secretariat showed "good" progress in only four departments, accounting for 7 out of 48 government-wide mission-critical functions. Nine departments and agencies responsible for 18 mission-critical functions had a score of 50 percent or less for completion of the work needed to make the systems supporting the functions compliant.
- **20.5** We concluded that as of June 1998, various government systems supporting mission-critical functions remained at risk. With 18 months left, we are very concerned that some essential government services may be interrupted at the start of 2000.
- 20.6 To ensure that mission-critical functions will continue, we recommend that the focus on Year 2000 be sustained, that the Treasury Board Secretariat consider strategic intervention as appropriate, and that contingency plans be prepared and tested for those systems that remain at risk. We also recommend that further action be taken to advance common horizontal initiatives and that reporting of Year 2000 information to Parliament be improved.



Introduction

- 20.7 The Year 2000 problem, also known as the millennium bug, Y2K and century date change, refers to the potential for computer systems error, malfunction or failure caused by the past practice of representing the year with a two-digit code. Due to the extensive use of the date code, the information technology industry has estimated that some 90 percent of systems and codes will be affected by Year 2000.
- 20.8 Given the ever-increasing reliance on information technology, Year 2000 represents a business risk, not just a technical problem. It is a threat to all organizations, including businesses, non-profit organizations, schools, hospitals and all levels of government.
- 20.9 In 1997, we audited the federal government's overall state of preparedness for Year 2000. We concluded that as of 30 April 1997, the government's rate of progress in addressing the Year 2000 threat had generally been slow.
- 20.10 We were concerned that if progress were to continue at the same rate, it would likely be too slow to ensure that government systems would be ready in time. We concluded that Year 2000 remained a serious threat to essential programs and services and that urgent and aggressive action was required.
- 20.11 We recommended that the Treasury Board Secretariat give top priority to monitoring progress. In particular, we recommended that it identify the systems considered to be mission-critical to the government as a whole and intervene strategically as appropriate, to ensure that they would be ready before 2000. We also emphasized the need for contingency plans. Other recommendations included:
 - ranking Year 2000 as a top priority;

- affirming the sustained commitment and support of senior management;
- informing Parliament of the potential impact of Year 2000 and reporting on progress toward making systems compliant; and
- accelerating common initiatives that support Year 2000 work in departments and agencies.

Focus of the audit

- **20.12** The current audit focussed on the government's progress in making its mission-critical systems compliant for Year 2000.
- 20.13 We used the results of the Treasury Board Secretariat's 30 June 1998 survey to obtain an update of the government's progress in making compliant the systems that support its mission-critical functions. We examined several key systems and applications that support six government-wide mission-critical functions. We also followed up on action taken by the government to address our 1997 recommendations.
- **20.14** Further information about the audit objective, scope and criteria can be found at the end of the chapter in **About** the **Audit**.

Observations and Recommendations

Examination of Systems That Support Government-Wide Mission-Critical Functions

20.15 In July 1997, the Treasury Board Secretariat prepared an initial list of government-wide mission-critical functions — those considered essential to delivering programs and providing services. The list was circulated to all deputy ministers and heads of agencies for feedback. The departments and agencies

The current audit focussed on the government's progress in making its mission-critical systems compliant for Year 2000.

As of June 1998, 48 government-wide mission-critical functions had been identified.

responsible for the functions were also requested to provide a brief impact statement on each of the functions.

- 20.16 In the fall of 1997, the list included 19 departments and agencies that provide 44 mission-critical functions of the government. Those functions became the focus of the Secretariat's subsequent survey efforts. Year 2000 work on them receives priority access to resources such as funding, and to procurement arrangements. As of June 1998, 48 government-wide mission-critical functions had been identified; they are provided by 21 departments and agencies and two Crown corporations (Exhibit 20.1).
- 20.17 In assessing the government's progress, we selected for examination six government-wide mission-critical functions by applying the criteria used in our 1997 audit. These functions include:
- inspection services to contribute to food safety;
- emergency aid to civil powers and assistance and support in the event of natural disaster or loss of civilian infrastructure;
 - income security services to seniors;
- transfer payments to First Nations and management of their trust funds;
- border crossing services for commercial goods, including collection of and accounting for customs duties and the goods and services tax; and
- law enforcement services for the safety and security of the public.
- 20.18 Government-wide mission-critical functions are supported by many computer programs, systems and devices that vary significantly in size and complexity. In early 1998, the Chief Information Officer at Treasury Board Secretariat estimated that over 1,000 systems support these functions. In each

of the six functions we selected, we attempted to identify for audit the most critical systems, including embedded devices (those that require microprocessors to make them operational).

20.19 In some functions we audited the lead system; in others, we selected and audited up to three key applications and systems. All the selected systems and devices are considered necessary to support the mission-critical functions but not always sufficient to ensure that the functions will continue. Our findings pertain only to the systems and devices that we audited and are not representative of overall progress in the organizations where they operate. Our findings reflect the status of progress at 30 June 1998 (31 August 1998 for emergency assistance and support).

Canadian Food Inspection Agency — inspection services for food safety and animal and plant health

- 20.20 Food inspection services help maintain Canada's high standards of quality and safety for food, agricultural inputs, and animal and plant health. The Canadian Food Inspection Agency depends extensively on information technology to carry out inspection, testing and certification of food products. Its systems that support food inspection are mission-critical because their potential failure or malfunction could result in health and safety concerns.
- 20.21 The Canadian Food Inspection Agency was created in 1997 to consolidate the food inspection and animal and plant health activities of three federal departments. To address the Year 2000 threat, the Agency decided to develop new information systems, including the Multi-Commodity Audit Program (MCAP) and Laboratory Sample Tracking Systems (LSTS), in the place of existing systems from three departments (Exhibit 20.2). Further, the Agency needed to test and replace laboratory

Department, Agency or Crown Corporation	Function
Atomic Energy of Canada Limited	control, safety, monitoring and facilities management
Canadian Broadcasting Corporation	communications and broadcasting system
Canadian Food Inspection Agency	food production and inspection
Canadian Heritage (Parks Canada)	maintenance management system
Canadian Security Intelligence Services	security intelligencesecurity screening
Citizenship and Immigration Canada	managing access to Canada
Communications Security Establishment	foreign intelligence and information technology security
Correctional Service Canada	offender reintegration
Environment Canada	environmental forecasting system
Fisheries and Oceans	 Canadian hydrographic service icebreaking operations marine communications and traffic services fleet management marine navigation services rescue, safety and environmental response
Foreign Affairs and International Trade	 consular affairs export and import controls Canadian passport office network (messaging system)
Health Canada	 laboratory centre for disease control therapeutic products program food program environmental health program medical services
Human Resources Development Canada	income securityemployment insurance
Indian and Northern Affairs Canada	band support funding
Department of Justice	family orders and agreements enforcement
National Defence	 defending Canada defending North America contributing to international safety support to operations support to broad government programs
Natural Resources Canada	 aeronautical and technical services seismic monitoring geomagnetic monitoring
Public Works and Government Services Canada	 public service compensation Receiver General services processing government financial transactions

Exhibit 20.1

Government-Wide Mission-Critical Functions

(continued)

Exhibit 20.1

(continued)

Source: Treasury Board Secretariat, June 1998

Department, Agency or Crown Corporation	Function
Royal Canadian Mounted Police	law enforcement
Revenue Canada	 social income redistribution income tax processing customs border services and trade administration
Tax Court of Canada	appeals management system
Transport Canada	transport regulation
Veteran Affairs Canada	health carepensions and allowances

equipment where necessary to make it Year 2000 compliant.

20.22 We noted that implementation dates for the MCAP systems were delayed by about four months from earlier plans. The Year 2000 effort for laboratory equipment also experienced delays.

20.23 We found that the Agency had identified interdependencies among its Year 2000 efforts on individual systems. However, analyses of these interdependencies for completion timeline and critical path modelling were incomplete. We were advised by the Agency that it had attempted to conduct these analyses but had not been able to complete the task, due to a number of factors such as time and costs. As a result, there is no critical path for the Agency's overall Year 2000 project. Further, as of June 1998, it had yet to begin reviewing its interdependencies with other countries.

20.24 Although the Agency has a defined protocol for testing and certification of its information systems and technology infrastructure and has developed an overall test strategy, it has not prepared test plans for the individual systems. As of 30 June 1998, it had yet to finish establishing a Year 2000 test environment. These environments are established to simulate processing in 2000. Systems are not considered fully compliant for Year 2000 purposes until

they have been tested successfully in this type of environment.

20.25 Some application systems can have failure dates prior to 2000. We observed that the Agency's analysis of the possibility of early failure of its application systems was insufficient and required further work. We noted that one application in LSTS that experienced failure due to the date code had not been identified in the Agency's analysis.

20.26 The Canadian Food Inspection Agency has over 2,000 pieces of laboratory equipment. Many of them contain microprocessors that can be difficult to detect and test, complicating the work of making those systems compliant for Year 2000. In most cases, communication with and guidance from the suppliers will be required. The Agency contacted suppliers of its laboratory equipment but, when we completed our audit, it had not received responses from about two thirds of them.

20.27 The target completion date for the Agency's Multi-Commodity Audit Program (MCAP) and Laboratory Sample Tracking Systems (LSTS) is June 1999. While this meets the milestone date stipulated by the Treasury Board Secretariat, it does not provide room for further slippage or for unexpected problems with various data interfaces among systems. The testing and replacement of laboratory equipment were

planned for completion at 30 October 1998. Given that the needed vendor responses on most of the Agency's laboratory equipment had yet to be received by the end of the audit, completion by October 1998 was unlikely and no new target date had been set. Thus, in our view, the MCAP and LSTS systems and the laboratory equipment remained at risk of not being fully compliant in time for Year 2000.

20.28 The Year 2000 project office at Treasury Board Secretariat requested departments and agencies with systems that support government-wide mission-critical functions to complete and submit a Year 2000 risk assessment by 31 August 1998, to determine if contingency plans would be necessary. At the time of our audit, the Canadian Food Inspection Agency was planning to assess

its Year 2000 risks and prepare detailed contingency plans by the end of August 1998. Subsequent to the audit, the Agency advised us that it expected the two systems and its laboratory equipment to be fully compliant in time for Year 2000.

National Defence — emergency assistance and support

20.29 National Defence is responsible for five government-wide mission-critical functions. In early 1998, as part of its Operational Readiness program, it commissioned a series of impact analyses for 12 representative missions that it needs to undertake from time to time. One such national mission is to provide emergency aid to civil powers and assistance and support in the event of natural disaster or loss of infrastructure. The 1997 Red River flood in western Canada and the 1998 eastern Canada ice storm are examples of

At the time of our audit, the Canadian Food Inspection Agency was planning to assess its Year 2000 risks and prepare detailed contingency plans by the end of August 1998

Systems selected for audit	 Multi-Commodity Audit Program (MCAP) — audit inspection module Laboratory Sample Tracking Systems (LSTS) laboratory equipment — level 4 laboratory, disease control laboratory in Winnipeg
Relationship to mission-critical function that they support	MCAP supports the audit and inspection function, replacing mission-critical systems to support inspection of all commodities including meat and fish. The LSTS supports sample tracking and manages analyzed results. The laboratory equipment supports the analysis of food and other samples.
Systems description	Two mission-critical subsystems of MCAP have about 100,000 lines of code each. Three mission-critical subsystems of LSTS have between 100,000 to 200,000 lines of code each. The systems operate in a client/server environment. The Agency has over 2,000 pieces of laboratory equipment that can be susceptible to the Year 2000 problem.
Status (30 June 1998)	For subsystems of audit and inspection module in MCAP, some were in development phase; some were being tested. All subsystems in LSTS were in development phase. For its laboratory equipment, the Agency was in the process of following up with equipment manufacturers and vendors and testing embedded devices.
Testing plans and strategy	The Agency has a Testing and Certification Protocol for its information systems, information technology infrastructure and embedded systems. It has an overall test strategy but individual test plans were not available.
Planned completion dates	June 1999 for MCAP and LSTS; October 1998 for laboratory equipment

Exhibit 20.2

Canadian Food Inspection Agency — Inspection Services for Food Safety and Animal and Plant Health the events that this type of mission would support.

The impact analysis for this 20.30 representative mission was completed in late June 1998. The analysis identified 31 essential systems, 17 of which were categorized as "very high priority". We selected three of the 17 systems for examination — Joint Establishment and Movement Management System (JEMMS), Automated Defence Data Network (ADDN) and National Materiel Distribution System (NMDS). The JEMMS generates task force movement tables to support the movement of staff and equipment in a planned mission. The ADDN provides messaging capability seven days a week and 24 hours a day to facilitate secure and reliable communication in times of peace and war. The NMDS produces documents for distribution of materiel, and tracks shipments (see Exhibit 20.3).

During the planning phase, the 20.31 Department found that the Joint Establishment and Movement Management System (JEMMS) had been developed in 1996 using programming tools that were Year 2000 compliant. The JEMMS operates on personal computers. Although the personal computers at National Defence Headquarters are Year 2000 compliant, in August 1998 those at the Department's bases and stations were being tested and replaced as necessary. Also in August 1998, the systems manager and the director certified that JEMMS does not use dates. Since the audit, the Department has advised us that JEMMS will be considered compliant after the hardware at its bases and stations are confirmed or made compliant.

20.32 By August 1998, programming codes in the Automated Defence Data Network (ADDN) had been verified and were undergoing testing. National Defence has requested and received

Exhibit 20.3

National Defence — Emergency Assistance and Support

Systems selected for audit	 Joint Establishment and Movement Management System (JEMMS) Automated Defence Data Network (ADDN) National Materiel Distribution System (NMDS)
Relationship to mission-critical function that they support	The three systems support the movement of personnel and materials needed for planned missions and facilitate communication by providing a secure messaging capability.
Systems description	The JEMMS system is a stand-alone PC-based application that was developed in 1996. The ADDN has two nodes in Ottawa. It communicates with 80 widely distributed personal computers and has data links to other agencies and allied countries. The NMDS operates on 45 minicomputers that are connected via the Department's integrated data network. It supports about 250 terminals that are located at two supply depots and all departmental shipping and receiving areas. The NMDS system is also located abroad and has mobile systems that are connected via satellite.
Status (31 August 1998)	The JEMMS was certified as Year 2000 compliant in August 1998. Code check for ADDN was completed and testing was continuing; non-compliant ADDN personal computers were identified. The NMDS system was in conversion.
Testing plans and strategy	Test plans completed for ADDN. Although testing checklist exists, test plans have not yet been prepared for NMDS.
Planned completion dates	28 February 1999 for ADDN; 31 March 1999 for NMDS

confirmation of Year 2000 compliance from suppliers of the core software and hardware. About 15 older personal computers have been identified as non-compliant. The Department plans to apply a software solution to address the problem and to not replace the computers at this time. At the end of our audit, it was expecting to complete the software correction by November 1998. According to departmental officials, the ADDN system and other messaging systems in the Department are expected to be phased out and replaced by a new departmental message-handling system in 2001.

- 20.33 The technology platform for the National Materiel Distribution System (NMDS), including hardware, software and the data base, has been assessed as non-compliant and needs to be replaced. In addition, the existing hardware that supports NMDS has experienced more frequent breakdowns in recent years. The Department plans in April 1999 to phase out its integrated data network, the network used by NMDS.
- 20.34 The Department prepared detailed project plans to redevelop NMDS and reinstall it on a compliant technology platform; at the end of our audit, the redevelopment work was on schedule. Test plans for NMDS are not scheduled to be completed before February 1999.
- 20.35 Some risks of delay are involved in replacing non-compliant data terminals and procuring and installing work stations to access the Department's wide area network. This could delay in turn the completion of Year 2000 conversion and testing of NMDS.
- 20.36 In our view, the risks facing the three systems that we examined are not significant in comparison with the risks to other systems in the Department or to others we examined in other departments and agencies. Year 2000 risks are higher in the Department's large information technology projects and the large number of embedded devices. Over 80 percent of

its systems are embedded systems; when we completed our audit, its inventory list was still being updated.

20.37 Under the Department's Operational Readiness program, impact and risk analyses for representative missions were to continue in the fall of 1998. As of 31 August 1998, the Department considered that no contingency plans were necessary for the three systems we audited. Subsequent to the audit, the Department indicated that it was planning a number of activities to reduce risk in its embedded systems. It also advised us that it would prepare contingency plans for the three systems and develop business continuity plans under the Operational Readiness program.

Human Resources Development Canada — income security services

- 20.38 Income security services at Human Resources Development Canada include the Canada Pension Plan (CPP) and the Old Age Security program. For many seniors who depend on benefit payments as part of their retirement income, services that provide those payments are essential. The CPP provides 3.7 million benefit payments to eligible contributors and to surviving spouses and dependent children (Exhibit 20.4).
- Over the past few years, under an initiative to redesign the information systems for its income security programs, Human Resources Development Canada compiled a full inventory of the CPP system. While the redesign project was under development, the Department started Year 2000 repair work on the existing CPP system as a contingency measure. When the redesign project was halted in late 1997, the Year 2000 strategy focussed on repairing the CPP system. The conversion strategy involved using a combination of a four-digit year code and program logic for two-digit codes. The repair work on the three subsystems was concurrent, and completion was planned in sequence - Earnings, Benefits and

then Payments. The Department also used a phased approach to repairing and testing the subsystems.

20.40 As of June 1998, repair work on the Earnings subsystem was almost complete and the repaired codes were undergoing tests for quality assurance and acceptance. We noted a minor slippage in the repair work for the Benefits subsystem: 73 percent of the programming codes had been converted by the end of June 1998. Code conversion for the Payments subsystem was about one month behind. At 30 June 1998, just under half the codes had been converted and the completion date had been rescheduled to mid-November 1998.

20.41 The Department completed its analysis phase of the three CPP subsystems in February 1998. According to its plans prepared in late February, quality assurance and acceptance testing of the Benefits and Payments subsystems was to occur over approximately 14 months. The planned 14 months included testing for CPP legislative changes passed by Parliament in December 1997. As work on those two subsystems progressed, the plans were revised each month. As of June 1998, about 20 percent of the Benefits subsystem had been tested for quality

assurance and acceptance and those tests had not begun for the Payments subsystem.

20.42 The testing of systems in a Year 2000 test environment is a critical step in ensuring compliance and readiness. Thus, once established, such a test environment becomes an important resource and often its use is scheduled to full capacity. Human Resources Development Canada has arranged to test its three CPP subsystems in a Year 2000 test environment (called MVSK), which is managed by another department. The testing of the CPP system in that environment is scheduled from mid-October to 31 December 1998. In addition to supporting its own Year 2000 testing, the department managing MVSK has set up a tight schedule to support its other client departments and agencies.

environment, code conversion and quality assurance and acceptance testing need to be completed. There is a risk that those steps may not be finished in time for the MVSK testing. In the event that the CPP subsystems are not fully ready, Human Resources Development Canada could miss its scheduled MVSK testing and have difficulty rescheduling. As of June 1998, it appeared that the Department would need to compress its quality assurance and

Exhibit 20.4

Human Resources
Development Canada —
Income Security Services

Systems selected for audit	Canada Pension Plan (CPP) system — Earnings, Benefits and Payments subsystems
Relationship to mission-critical function that they support	The system manages information relating to the Canada Pension Plan and provides benefit payments to eligible contributors or their beneficiaries.
Systems description	The three subsystems are legacy systems with about 2.4 million lines of code. They operate in a mainframe COBOL environment.
Status (30 June 1998)	The Department was testing the Earnings subsystem and a portion of the Benefits subsystem for quality assurance and acceptance. Portions of Benefits and Payments subsystems were in conversion.
Testing plans and strategy	Test strategy exists; test plans for Year 2000/MVSK environment have yet to be completed.
Planned completion dates	31 December 1998

acceptance testing process to meet the MVSK schedule. Compressed testing could increase the risk of failure in the Year 2000 test environment; it could also cause functionality problems after the converted subsystems are implemented.

20.44 Quality assurance and acceptance testing is an essential step. We noted that as of June 1998 the testing team was not fully staffed and the quality assurance and acceptance testing of some functions in the CPP subsystems had yet to be assigned. Although detailed plans for quality assurance and acceptance testing were in place, plans for testing in the Year 2000 environment (MVSK) were not complete.

System interfaces for the CPP 20.45 system were identified during the redesign project and were subsequently confirmed as part of the Department's Year 2000 project. Work on the interface of the Earnings subsystem with data on CPP contributions has been co-ordinated with another department. Human Resources Development Canada has requested and received a copy of the Year 2000 plans for the government's payment system, which interfaces with its Payments subsystem; periodic meetings have been held since December 1997 to co-ordinate testing activities between the two systems.

20.46 Human Resources Development Canada's plan is to make the CPP system fully compliant by December 1998, leaving up to one year to address any slippage or problems encountered during testing. As of 30 June 1998, quality assurance and acceptance testing was ongoing; it was uncertain whether testing in MVSK would be completed successfully by 31 December 1998. In our view, there remains a risk that some of the CPP subsystems may not be fully compliant before 2000. If the CPP subsystems fail to pass MVSK testing in 1998, the Department has indicated that it will retest the changes and corrections for quality assurance and acceptance and then retest in MVSK. In that event, it will implement a detailed contingency plan to ensure that the essential service of providing CPP benefit payments will continue in 2000.

20.47 As we completed our audit, Human Resources Development Canada was intending to prepare a risk assessment by the end of August 1998, as requested by the Treasury Board Secretariat. The Department indicated that it was confident that the CPP system would be compliant by the end of December 1998. It also indicated that, in any event, it would finalize detailed contingency plans.

Indian and Northern Affairs Canada — First Nations transfer payments and trust funds

20.48 First Nations transfer payments support basic services on reserves, such as education, social assistance, housing and other capital facilities. Transfer payments are also made pursuant to comprehensive land claims and specific claims. In fulfilling the government's fiduciary responsibilities, Indian and Northern Affairs Canada also provides trust services, including the management of Indian moneys as stipulated in the *Indian Act*. These are essential services for Aboriginal peoples and a mission-critical function of the government.

20.49 The Transfer Payment Management System (TPMS) and the Trust Fund Management System (TFMS) are the primary systems supporting this function. We also examined the Departmental Accounting System (DAS) because both TPMS and TFMS interface with it (Exhibit 20.5).

20.50 Treaties with First Nations date back to the 18th century; funding arrangements span many years. Consequently, application systems like TPMS and TFMS were developed using an eight-digit date code. Indian and Northern Affairs Canada determined that some conversion work was needed for data display and reporting. Independent of

Human Resources
Development Canada
indicated that it would
finalize detailed
contingency plans.

its Year 2000 work, the Department was also changing its operating system and data base standard. The change involved a conversion of the Departmental Accounting System (DAS), which was considered Year 2000 compliant by the supplier. After conversion, the system would need to be tested using the new technology platform to ensure that it would be Year 2000 compliant.

20.51 We found that the Department had not addressed the Year 2000 problem on a department-wide, business-oriented basis. Under the direction of its Information Management Branch, the Department's Year 2000 project activities at the time of our audit focussed primarily on managing changes in the areas of its corporate information systems and technology. Only at the end of June 1998 did the Department formally appoint a senior sponsor to direct its Year 2000 project and take on a department-wide perspective.

20.52 Indian and Northern Affairs
Canada prepared a master list of software
systems — an inventory list of corporate

systems — during the planning phase of its Year 2000 project. However, we found that the list did not identify all the significant systems that interface with those in the inventory list. The Resource Management Information System (RIMS) was omitted — a local system that serves as the primary source of data input to the Trust Fund Management System (TFMS). In addition, the list of interfaces for DAS did not include the linkage with the government's payment system or the central accounting system. As a result of our audit observation, the Department has added RIMS and those linkages to its inventory of Year 2000 work.

20.53 We found that work plans have been prepared for all three mission-critical systems. However, they do not contain details of the activities to be performed and the corresponding resources needed. Thus, it will be difficult for the Department to monitor progress and assess the adequacy of the estimated resource requirement. We also noted that test plans for the systems have not been prepared.

20.54 In our view, the Year 2000 risks to TPMS, TFMS and DAS are lower than

Exhibit 20.5

Indian and Northern Affairs Canada — First Nations Transfer Payments and Trust Funds

Systems selected for audit	 Transfer Payment Management System (TPMS) Trust Fund Management System (TFMS) Departmental Accounting System (DAS)
Relationship to mission-critical function that they support	The TPMS manages and provides funding of \$3 billion annually to over 600 First Nations. The TFMS accounts for trust funds of about \$1 billion that the Department manages on behalf of First Nations. Both systems interface with DAS, the accounting system for the Department.
Systems description	All three are customized systems. TPMS and TFMS were developed in the 1980s, with 600 modules and about 260 modules respectively; DAS was redeveloped using PowerHouse and C language and has about 50,000 lines of code.
Status (30 June 1998)	The technology environment was being upgraded. The TPMS and TFMS were in conversion and a Year 2000 compliant version of software has been installed for DAS, with testing to follow.
Testing plans and strategy	Testing strategy exists for the three systems but not detailed plans
Planned completion dates	31 December 1998

the risks to some of the other mission-critical systems we examined. In comparison with others, these systems are less complex. When we completed our audit, the Department had six months remaining to complete its conversion work and test the systems by its target date of December 1998. Both TPMS and TFMS now use an eight-digit date code and DAS has been upgraded to a version that is considered Year 2000 compliant.

20.55 At the end of our audit, Indian and Northern Affairs Canada was planning to complete a risk assessment by 31 August 1998 for submission to the Secretariat. According to the Department, preparation of an information technology contingency plan and a business contingency plan would follow.

Revenue Canada — border crossing services for commercial goods

20.56 Revenue Canada's customs service administers over 80 acts and regulations on the government's behalf at border crossings. For commercial goods, the responsibilities vary from facilitating shipment and import of commercial goods to intercepting illicit drugs and other banned substances. Customs processes over 11 million commercial entries annually, accounting for about \$20 billion in customs duties and the goods and services tax. It is a mission-critical function that not only provides an essential service to importers but can also

affect public health and safety and Canada's finances.

20.57 The Customs Commercial System (CCS) operates on a continuous basis. It maintains an inventory of all commercial entries and directly supports the processing of and accounting for the goods. Further, it interfaces with the Accelerated Commercial Release Operating Support System (ACROSS), a departmental system that supports customs officers in making decisions on the release of goods (Exhibit 20.6).

20.58 The Year 2000 conversion strategy for CCS involved repairing existing codes. The Department decided to implement the repaired codes in a single release.

20.59 Over the years, in meeting the need to update the tax code annually, Revenue Canada has developed a structured methodology for testing code changes. In preparing for the testing phase of its Year 2000 project, it augmented its regular testing process with a Year 2000 testing environment (called LPAR). This initial testing strategy was reviewed by an information technology firm, which recommended adding a test environment called WT. The WT environment is capable of automated date manipulation to age data. It can help identify major problems in an application before the Department tests it in its LPAR environment.

System selected for audit	Customs Commercial System (CCS)
Relationship to mission-critical function that it supports	CCS is a key system that supports services at border crossings for the import of commercial goods. Its functions include keeping inventory, processing, accounting for and control of those goods.
System description	CCS consists of 4,283 modules with about 1.6 million lines of code. It operates in a mainframe MVS/DB2 environment.
Status (30 June 1998)	Conversion phase for CCS had been completed. The system was in integration testing and testing for user acceptance.
Testing plans and strategy	Testing plans and strategy were completed.
Planned completion dates	30 October 1998

Exhibit 20.6

Revenue Canada — Border Crossing Services for Commercial Goods 20.60 The recommendation was accepted, bringing the testing process for Year 2000 to four phases of regular testing as well as testing in the two Year 2000 environments. Revenue Canada has a department-wide definition of Year 2000 compliance. Systems are certified for Year 2000 only if they have met the compliance definition, tested successfully for user acceptance and in the LPAR environment, and been reintroduced in the normal operating environment.

20.61 We found that repair work on CCS had been completed, and the system was in testing at the time of our audit. Testing in the LPAR environment was scheduled for October 1998.

20.62 We note that there has been some slippage in the deadlines for testing and that the time allowed for the testing phases has been compressed. In particular, as of 30 June 1998, the WT integration testing had not been completed and the objective of conducting WT testing — to identify and correct major problems early in the process — had not been achieved.

20.63 Revenue Canada's Information Technology Branch noted in February 1998 that testing was becoming the bottleneck for Year 2000 projects in industry as well as in the Department. It stated that its LPAR testing schedules were not negotiable. As a result, at the time of our audit there was a risk that the CCS might not undergo sufficient testing prior to being tested in the LPAR environment in October 1998 and that problems could arise during that critical phase. Thus, there was a risk that CCS would not achieve Year 2000 certification by the planned date.

20.64 We noted that two releases of CCS have been planned for 1999; the first is scheduled for January. In the event that CCS failed to achieve Year 2000 certification in October 1998, the Department was planning to certify the system in early 1999.

20.65 Although some risks exist for CCS, in our view they are lower than the risks to some of the other systems we examined in this audit. If CCS failed to achieve Year 2000 certification in October 1998, it would have to be given priority for LPAR testing in 1999 and the Department would need to consider undertaking risk assessment and contingency planning. Subsequent to the audit, the Department advised us that its certification testing for CCS was near completion and the system was on schedule to be implemented in October 1998 as planned.

Royal Canadian Mounted Police — law enforcement services

20.66 Law enforcement services support law and order and provide for the safety and security of the public. Thus, they form part of the government's mission-critical functions. The Canadian Police Information Centre (CPIC), a system that supports policing service across Canada, is maintained by the Royal Canadian Mounted Police (RCMP) and is used by its 700 detachments and over 500 other agencies (Exhibit 20.7).

20.67 The Year 2000 strategy for CPIC involved two phases:

- converting the application and operating systems from COBOL to MVS COBOL; and
- repairing application systems using a four-digit year code.
- 20.68 Many application systems use forward dates and can fail or malfunction prior to 2000. The CPIC modules that could be expected to fail in January 1999 have been identified. Since the conversion strategy involves repairing codes module by module, those with a potential early failure date have been given priority.
- **20.69** We found that the RCMP has an overall Year 2000 project plan for the entire CPIC system. Activities in that plan range from one week to many months in

duration. In the absence of detailed plans, it is difficult for the Year 2000 project office to assess whether scheduled dates for task completion are reasonable, and to monitor progress. In these circumstances, any delays could go undetected for months.

- 20.70 As of June 1998, there had been only minor slippage in the first phase of converting to MVS COBOL. But phase two, year code conversion, had experienced a three-month delay. Although the overall project plan had been updated accordingly, which changed the target date for full CPIC compliance from 31 December 1998 to 31 March 1999, target dates for some key activities had not yet been set.
- 20.71 The RCMP has established a Year 2000 test environment (called LPAR), and some guidelines exist on testing applications for specific dates. A Year 2000 test plan and a test strategy, including co-ordinated testing with external users, were still being developed at the time of our audit.
- 20.72 The CPIC system is used extensively by the RCMP and other organizations involved in law enforcement. Outside users who have data interfaces with CPIC are categorized as follows:
 - Category 1, police departments;

- Category 2, departments and agencies with some law enforcement roles; and
- Category 3, departments and agencies with limited law enforcement roles.

Category 1 users are the primary users who exchange high volumes of data with CPIC. Data interface between the RCMP and the Federal Bureau of Investigation (FBI) and other law enforcement agencies in the United States is provided through the Automated Canadian United States Police Information Exchange System (ACUPIES).

- 20.73 The RCMP has identified all data interface partners in its inventory phase for Year 2000. In January 1998, it communicated with all Category 1 users to advise them of its plans and the date when CPIC modules would start using a four-digit year code. It has also communicated with the FBI and both parties have agreed to have their respective systems accept a two-digit and a four-digit year code from January until June 1999, when they expect both systems to be ready.
- **20.74** However, as of 30 June 1998, the response from Category 1 users had been limited. As a result, the RCMP had little information on whether its plans or time frame are acceptable to those users.
- **20.75** The prime use of the CPIC system is to provide information to law

System selected for audit	Canadian Police Information Centre (CPIC) system
Relationship to mission-critical function that it supports	CPIC maintains information and provides it on demand to police officers in support of law enforcement activities in crime prevention, investigation and pursuit of criminals.
System description	CPIC was designed about 25 years ago. It has approximately 750,000 lines of code and operates in a mainframe COBOL environment.
Status (30 June 1998)	Conversion to MVS COBOL was in testing; conversion of application systems and modules had started.
Testing plans and strategy	The testing plans and strategy were being developed.
Planned completion dates	31 March 1999

Exhibit 20.7

Royal Canadian Mounted Police

— Law Enforcement Services

The RCMP has noted that contingency planning is actively under way, with a very comprehensive checklist that will be used at every detachment across the country.

enforcement personnel on demand. Thus, the ability to continue to exchange data and provide information is of paramount importance. In our view, follow-up with Category 1 users is required and, further, the RCMP needs to extend its communication to users in categories 2 and 3. Subsequent to the audit, the RCMP advised us that it had started to follow up with its Category 1 users and it intended to communicate with users in the other two categories.

20.76 We also noted a Year 2000 project risk associated with the availability of technical resources. The lack of technical resources was a primary cause of the delays noted in paragraph 20.70. We found the resource situation in the application development and the quality control and testing areas to be of particular concern. For example, at the time of the audit only one individual had been identified to conduct testing for the entire CPIC system.

20.77 We have concluded that the CPIC system continues to be at risk. In particular, if end-to-end testing and co-ordination with the user community are not addressed adequately, the use of the CPIC system could be greatly curtailed.

20.78 At the time of our audit, the RCMP was planning to prepare a Year 2000 risk assessment by 31 August 1998 and submit it to the Treasury Board Secretariat. The RCMP has indicated that it has a continuous risk management process in place using outside consultants to assure an independent and objective review, and has made continuous and significant progress. It has also noted that contingency planning is actively under way with a very comprehensive checklist that will be used at every detachment across the country, and that it has played a lead role in educating many police forces and municipalities across Canada on the issue of Year 2000.

Progress Monitoring by Treasury Board Secretariat

20.79 In May 1996, the Treasury Board Secretariat established a project office within its Chief Information Officer Branch to provide leadership for the Year 2000 issue in government. The project office has been charged with the responsibility to oversee Year 2000 efforts in the government and to address common needs of departments and agencies. In our 1997 audit, we reported that the Secretariat had helped to raise awareness across the government and had facilitated the exchange of experiences and views on Year 2000 efforts.

20.80 In response to our 1997 recommendations, the Secretariat stated that it had started to examine the state of readiness of all systems that the government considers mission-critical, in order to confirm that they would continue to function properly after 31 December 1999.

Survey results for systems supporting government-wide mission-critical functions

20.81 The project office conducted a survey of 76 departments and agencies in the fall of 1997. It tabulated separately the survey results in the 19 departments responsible for systems that support government-wide mission-critical functions, in 16 other large departments and agencies, and in the remaining 41 smaller departments and agencies.

20.82 In its report of January 1998, the Secretariat noted that although almost all departments and agencies had made significant progress, only a few had carried out substantial repair work or testing of systems by the fall of 1997. It concluded that there was sufficient time to complete the conversion of mission-critical systems but that some non-essential systems might not be converted at the same pace.

20.83 The project office conducted a further survey in the spring of 1998,

focussing primarily on the mission-critical functions of the government. Those results were updated in June 1998 and the project office has monitored progress on a monthly basis since then.

20.84 In order to assess progress, the Secretariat used a model from a major information technology research firm. The firm assigns to each of its seven phases of a Year 2000 project an estimate of level of effort required to complete the work. Exhibit 20.8 compares the phases in the generic model we used in 1997 with those in the firm's model; the firm's estimate of level of effort is shown as a percentage.

20.85 In the fall of 1997, the research firm considered that an organization should by then have completed 45 percent of its Year 2000 efforts in order to have fully compliant systems in place by 31 December 1999. On that premise, the Secretariat set targets for percentage completion based on elapsed time.

According to the targets, departments and agencies should have completed 76 percent of their Year 2000 work by 30 June 1998.

20.86 As of 30 June 1998, however, the Secretariat's summary results showed that overall, the 21 departments and agencies had completed about 50 percent of their Year 2000 efforts for systems that support 46 government-wide mission-critical functions. Two Crown corporations responsible for two such functions were added recently and information on their progress was not available for the June 1998 summary. The results also showed that the pace of Year 2000 action had accelerated in recent months.

20.87 In the spring of 1998, the Secretariat announced that the target date for full implementation of all systems that support mission-critical functions was summer 1999, later confirmed as June 1999 and subsequently endorsed by Treasury Board ministers. Given that this

According to the targets, departments and agencies should have completed. 75 percent of their Year 2000 were by 30 June 1998.

Exhibit 20.8

Year 2000 Project Model and Percentage Level of Effort

	Structure
Estab	olish a Year 2000
progr	ram management
struc	ture. Promote
depai	rtment-wide
awar	eness. Secure
neces	ssary resources and
mana	igement support.
Moni	itor progress.
Susta	iin management
comr	nitment and
supp	ort.

	Auditor General Year 2000 Project Model	Model Used by Treasury Board Secretariat
Inventory, Assessment & Planning	Assess the Year 2000 impact on the department. Inventory and assess systems supporting the major programs and operations and prioritize their conversion. Formulate an overall strategy and action plan. Develop contingency plans.	Awareness Inventory Project Scoping Analysis and Design (26%)
Conversion	Repair, replace or retire selected technology, systems and data bases. Modify interfaces.	Repair (20%)
Testing & Implementation	Validate repaired or replaced systems and interfaces for Year 2000 compliance. Test the performance, functionality and integration of technology, systems, data bases and interfaces in an operational environment. Implement repaired or replaced systems and technology. Implement contingency plans and work-around arrangements as necessary.	Testing Implementation (54%)

Sources: 1997 Report of the Auditor General, Chapter 12; Treasury Board Secretariat

extends the original model by six months, and assuming the same pace of action as seen in the spring of 1998, the Secretariat takes the position that completion by June 1999 is achievable (Exhibit 20.9).

20.88 However, in adapting the research firm's model, the Secretariat had set its target using elapsed time as the main proxy for level of effort. Its indicator, percentage completed, did not take into account other measures such as percentage of staff hours used or quantity of work done in comparison with the overall budget. The quantity of work done is often measured in lines of programming code. For some departments and agencies, the Secretariat used the number of lines of programming code as a weighting factor in assessing progress.

20.89 In addition, the model was intended for situations that primarily involved repairing and testing existing systems. The methodology may not be as applicable by departments that have decided as their conversion strategy to replace non-compliant systems. In those cases, progress reporting based on elapsed time may not always be meaningful. In the Secretariat's view, the model is adaptable to situations involving the replacement of systems. However, as of June 1998, it had not adapted the model to

that use in assessing the progress of departments and agencies.

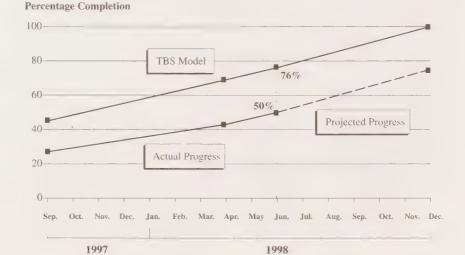
20.90 In 1997, we reported that the testing and implementation phase took more effort than all other phases combined. It is now widely acknowledged in the information technology industry that the testing phase of Year 2000 projects generally has proved even more time-consuming than anticipated. Thus, a simple linear projection of percentage completion against a target elapsed time can prove to be optimistic.

The Secretariat did not validate data and information that it collected in its survey. Although some departments and agencies used internal audit or consultants to validate their Year 2000 progress, others did not. Best practices in industry have Year 2000 project offices seeking independent assurance to validate progress reports that they have received from units in their organizations. Some project offices go to the extent of using automated tools to verify the converted programming codes. Experience in some private sector firms showed that upon validation the reported percentage completed was often found to be overstated.

20.92 We compared our findings on the systems that support the six mission-critical functions we audited with information that the same departments and

Exhibit 20.9

Year 2000 Progress of Systems Supporting Government-Wide Mission-Critical Functions



Source: Treasury Board Secretariat

agencies had provided to the Secretariat. In most cases, the start dates of work and the completion dates that we had noted in the departments were consistent with those in the Secretariat's files. In general, its files did not contain sufficient details to use the number of lines of programming code in support of analysis of quantity of work done and assessment of progress toward making systems Year 2000 compliant.

20.93 While the Secretariat's survey asked for information on data interfaces and embedded systems, these were not used in the calculation of percentage completed. Consequently, the assessments of departments and agencies with significant data dependencies or numerous embedded devices may not adequately reflect their Year 2000 progress.

20.94 We reported last year that 31 December 1998 was emerging as the norm in the information technology industry for full implementation of compliant systems. We are concerned that the Secretariat's target date for full implementation allows only six months to address slippage and unexpected problems. Further, some systems supporting the 48 government-wide mission-critical functions have target dates beyond June 1999 for full implementation. Most of the systems we examined this year have experienced delays, some by up to four months.

Many mission-critical systems remain at risk

20.95 An overall rate of completion for systems supporting government-wide mission-critical functions can provide no more than a general indication of Year 2000 progress. Given that the average rate of completion was 50 percent at 30 June 1998, some departments and agencies were progressing at below that rate.

20.96 According to the Secretariat's summary results at the end of June,

12 departments and agencies responsible for 28 mission-critical functions had a more than 50 percent completion rate for applications, systems and devices supporting those functions. The Secretariat also noted that information for two departments was not complete and that this could affect their reported percentage completion.

20.97 Overall, the Secretariat's summary of the progress made at 30 June 1998 by the 21 departments and agencies with mission-critical functions was as follows:

- 4 departments and agencies with good progress (over 60 percent complete);
- 10 departments and agencies with satisfactory progress (46 to 60 percent complete); and
- 7 departments and agencies with difficulties (45 percent complete or less).

Progress information on the two newly added Crown corporations was not available in June 1998 and they were not included in the summary results.

20.98 Although the Secretariat's monitoring of progress showed that Year 2000 action in the government had accelerated, as of 30 June 1998 only four departments and agencies, responsible for 7 of the 48 mission-critical functions, were rated as having made good progress; work on 18 functions in nine departments and agencies had a score of 50 percent complete or less.

20.99 We are very concerned that as of 30 June 1998, various of these government systems supporting mission-critical functions remained at risk of not being ready in time.

20.100 In August 1998, the Secretariat advised us that some of its analysts had started attending Year 2000 project meetings in the 21 departments and agencies and the two Crown corporations. In addition, its Year 2000 project director

As of 30 June 1998 only four departments and agencies, responsible for 7 of the 48 mission-critical functions, were rated as having made good progress.

had met with senior staff in some departments to discuss their progress.

20.101 The Secretariat had also written to departments and agencies responsible for systems that support the mission-critical functions to request that risk assessments be completed by 31 August 1998. For systems considered to be at risk of not meeting the implementation target date, detailed contingency plans will be requested by 31 December 1998.

20.102 In our 1997 audit chapter, we recommended that the Secretariat intervene strategically as appropriate to ensure the successful implementation of the government's mission-critical systems. Near the end of this year's audit, although it had held some meetings with certain departments to discuss Year 2000 progress, there were no documented plans to indicate what would trigger intervention, at what dates, and what form it would take.

20.103 Our 1997 chapter also raised the issue of triage, which provides for the redeployment of resources to those systems that are most critical to an organization. While the Secretariat acknowledged last year that triage may become necessary at some point, to date it is not evident what criteria would be used to judge this and how resources could be redeployed among departments and agencies.

20.104 If systems that support mission-critical functions were to remain at risk, it would be essential that contingency plans be developed and tested prior to 2000. Overall, the government's objective for Year 2000 readiness is to ensure that essential programs and services continue for its beneficiaries and stakeholders. The ideal would be fully compliant systems that would support mission-critical functions; interim work-around arrangements may be acceptable for the short term.

20.105 The government should continue to rank Year 2000 as a top priority and further accelerate its efforts on those systems that support its mission-critical functions, to reduce the risk that they may not be fully compliant before 2000.

20.106 The Treasury Board Secretariat should determine when and how it ought to exercise strategic intervention to ensure Year 2000 compliance of systems that support mission-critical functions in government. It should also develop plans for triage and put them in place as necessary.

20.107 Where systems that support mission-critical functions remain at risk, the Secretariat should ensure that contingency plans are developed and tested prior to 2000 so that essential government programs and services continue after 31 December 1999.

20.108 The Secretariat should examine ways to further improve the quality of its survey data and information, including the use of other measures in analyzing and assessing progress and the independent verification of progress information.

Treasury Board Secretariat's response: The Treasury Board Secretariat agrees with and supports the main points of the chapter. The chapter highlights areas of both concern and progress, areas with which we have widely been reported to agree.

We feel that it is critical to note that progress is an ongoing fact during the Year 2000 remediation programs in the departments and agencies we are monitoring. Not only is the percentage of completion (as reported monthly) steadily increasing, but the pace of change is also increasing. In fact, since the audit was completed at the end of June 1998, the overall government readiness has moved from 52 to 64 percent.

We agree with the audit recommendations that the government continue to rank Year

2000 readiness as a top priority. The Treasury Board will continue to receive regular monthly reports on progress. Year 2000 will also be the topic of correspondence from the President of the Treasury Board to his Cabinet colleagues, and from the Secretary to deputy ministers.

The rate of compliance continues to improve; nonetheless, we agree that prudent project management acknowledges the fact that slippage can occur, and triage may have to occur. The Treasury Board Secretariat will be working with departments and agencies in the development of plans for the triage of systems that support government-wide mission-critical functions.

The Secretariat is working with departments and agencies to assist, where possible, in the development or refinement of contingency plans to ensure that government-wide mission-critical functions continue.

The Secretariat does not rely exclusively on elapsed time as an indicator of progress. It is willing to consider changes to improve the quality of reporting, provided that work presently being done on remediation is not jeopardized. We have recommended to departments and agencies the engagement of their own internal audit staff to provide independent verification and validation of the results our analysts collect and report.

Initiatives to Address Common Needs

Some progress made in addressing exposure for Year 2000

20.109 In the 1997 audit, we identified a number of areas in which Year 2000 projects faced significant exposure to risk:

- competing priorities and developments;
 - insufficient technical resources:

- failure or delay in obtaining compliant upgrades from vendors;
 - · data interface exposure; and
 - risk of funding delay.

In the audit report, we also noted that there were opportunities for efficiency gains by addressing common issues horizontally. In the current audit, we observed that progress had been made in various areas.

20.110 For example, the Secretariat wrote on several occasions to deputy heads and heads of agencies to emphasize the significance of the Year 2000 threat and the high priority that it ought to be assigned. In March 1998, the government also directed departments and agencies to consider Year 2000 implications in all policy proposals.

20.111 We noted in 1997 that departments were expressing concerns about availability of technical resources; many were experiencing higher than normal attrition rates among computer specialists. Since that time, efforts have been under way to identify and attract information technology professionals into government. The conclusion of contract negotiations with the labour union for the government's computer specialist community has helped to retain staff. In addition, an omnibus contract has been awarded to seven private sector firms to support Year 2000 remediation and testing work on systems that support government-wide mission-critical functions.

20.112 In 1997, the Secretariat estimated the government's total costs for Year 2000 work at \$1 billion. During our 1998 audit, its Year 2000 project office advised us that the cost estimates had been revised to \$1.4 billion. To address the risk of delay in some Year 2000 projects in the event that funds could not be secured on a timely basis, the Secretariat made provisions to make up to a total of \$400 million available for loans to support

As of July 1998, the Secretariat had approved loans totalling about \$365 million to 15 departments and agencies.

Embedded systems and devices are emerging as a significant concern.

the departments and agencies responsible for mission-critical functions. As of July 1998, the Secretariat had approved loans totalling about \$365 million to 15 departments and agencies.

Work plan needed for remaining horizontal issues

20.113 While some progress has been made in addressing common needs, exposure remains in the areas we have noted. There is also significant exposure in other areas.

20.114 For example, the availability of technical resources continues to be an area of significant exposure for all Year 2000 projects. Although departments indicate that attrition rates have stabilized since the conclusion of contract negotiations for the government's computer specialists, staff turnover has continued. In examining mission-critical systems, we noted a specific case of slippage for which shortage of technical resources was cited as the reason. Further, the contract for computer specialists in government will expire in 1999, when Year 2000 work will still be critical.

20.115 Data interface also represents an area of significant exposure. Information technology research firms have emphasized the need for end-to-end testing among organizations that interact electronically. In describing its model for comparing Year 2000 progress among organizations, one research firm indicated that such testing would be time-consuming and in some cases difficult to accomplish.

20.116 Legal liability is another area of exposure. In response to our 1997 recommendations, the government assigned a lawyer to co-ordinate its legal efforts. Subsequently, legal co-ordinators were identified in various departments and agencies. The efforts helped to raise Year 2000 awareness in the government's legal community and resulted in a Year 2000

issue paper. In March 1998, the issue paper was released to departments and agencies to help them in assessing the legal risks to their respective organizations as a result of Year 2000. Nevertheless, given that the government has many regulatory responsibilities, the implications of the Year 2000 threat have yet to be fully analyzed and addressed.

20.117 Embedded systems and devices are emerging as a significant concern. Numbering in the billions, they perform a vast range of duties serving many domains such as science, engineering, manufacturing and health care. Experts have estimated that only a small percentage of these micro processors are date-sensitive. Even so, an estimated 20 million to 250 million could fail as a result of the millennium bug.

20.118 In January 1998, the Treasury Board Secretariat tasked a small team of assistant deputy ministers to review Year 2000 readiness in government. In February 1998, the team reported the issues and areas of exposure we have noted, as well as other impediments to success. It concluded that the Year 2000 challenge could be overcome only if decisions and actions were taken to address the issues it had identified.

20.119 As of August 1998, the Secretariat had started to define broad roles for some departments and agencies to address a number of those issues. In early October we were advised by the Secretariat that it had identified two initiatives to assist departments and agencies in dealing with embedded technology, and that it planned to hold a symposium on embedded devices and technology later that month. The Secretariat indicated that the initiatives would proceed once funding became available. However, a work plan that includes the following has yet to be developed:

• a full list of the issues to be addressed;

- roles and responsibilities of each organization assigned to address them;
 - · the resources required;
 - · the desired deliverables; and
 - a time frame for their completion.

As we reported in 1997, if the issues are not pursued expeditiously, the potential benefits of the horizontal effort to help departments and agencies overcome the Year 2000 threat will not be fully realized.

20.120 The Treasury Board Secretariat should develop a work plan and take steps to facilitate the resolution of common horizontal issues that departments and agencies face in addressing Year 2000.

Treasury Board Secretariat's response:

Plans and efforts have been put into place for monitoring and assessing departmental readiness, and identifying horizontal readiness issues through interdepartmental working groups and other means. With the need for a more frequent and detailed reporting schedule to Treasury Board ministers, and for addressing overall issues related to government readiness, Treasury Board Secretariat agrees that additional and more precise plans must be prepared. A master plan for reporting to ministers has already been completed and the integrating of additional activities is under way.

Reporting Information to Ministers and Parliament

Information on Year 2000 urgency and progress has been provided to ministers

20.121 In 1997, we recommended that departments and agencies work to engage the involvement and concern of ministers and advise them of the urgency of the Year 2000 threat. We also recommended that the Secretariat advise the Treasury Board periodically of the government's progress. In addition, we recommended that Parliament be kept informed about

the potential impact of Year 2000 on the government and about the government's progress in making its systems compliant.

20.122 We found, in this audit, that the government has kept ministers informed about the priority and significance of Year 2000. Further, since our 1997 audit the Secretariat has appeared several times before the Treasury Board to discuss the Year 2000 issue and provide information on the government's progress, and to seek approval for specific measures and related funding as necessary. As we neared the completion of our audit work in 1998, the Secretariat advised us that it would be providing Treasury Board with monthly updates of Year 2000 progress.

Information to Parliament needs to be improved

20.123 Subsequent to the tabling of our October 1997 Report to Parliament, two standing committees of the House of Commons held hearings on the subject of Year 2000. The Standing Committee on Industry studied industry readiness; the Standing Committee on Public Accounts focussed on Chapter 12 of our Report, on the government's preparedness for Year 2000. The Chief Information Officer of the Treasury Board Secretariat appeared as a witness at hearings of both committees.

20.124 In November 1997 the Public Accounts Committee tabled its Second Report to the House of Commons, on Chapter 12 of our Report. It recommended, among other things, that the Treasury Board Secretariat prepare semi-annual reports on Year 2000 progress and submit them to the Committee, commencing January 1998.

20.125 The government accepted the recommendations and the Secretariat submitted its first progress report to the Committee in early February 1998. The progress report was dated January 1998 and reflected status as of the fall of 1997. As of 31 August 1998, no further progress reports had been submitted. Consequently,

The information that the Public Accounts Committee had on Year 2000 progress was almost one year out of date. the information that the Public Accounts Committee had on Year 2000 progress was almost one year out of date. The Secretariat has since advised us that in late September 1998 it submitted a second progress report to the Committee.

20.126 Although the Committee also recommended that information on departments' Year 2000 progress be included in their Performance Reports, we found no evidence that the Secretariat had communicated this to departments. Four departments and agencies that we audited this year referred to Year 2000 in their 1998–99 Estimates documents and only one department reported on the status of its Year 2000 project in its 1997 Performance Report to Parliament.

20.127 The government should improve its reporting of information to Parliament on its progress in making systems compliant for Year 2000.

Treasury Board Secretariat's response: Treasury Board Secretariat has reported to the Public Accounts Committee, the Industry Committee, and to Cabinet. We will continue to examine ways of keeping Parliament informed.

Conclusion

20.128 One year after our 1997 audit, we found that the government has given the Year 2000 threat a high priority and accelerated the pace of its work on Year 2000 projects. Progress has also been made in monitoring Year 2000 work on government-wide mission-critical functions and in addressing certain

common issues that affect many departments and agencies.

20.129 However, in reviewing the June 1998 survey results summarized by the Treasury Board Secretariat, we observed that only four departments responsible for 7 of the 48 mission-critical functions in the government were rated as having made good progress; nine departments and agencies responsible for 18 mission-critical functions had a score for work completed of 50 percent or less. The results of our examination also showed that, as of June 1998, several key systems supporting three of six government-wide mission-critical functions remained exposed to the Year 2000 threat.

20.130 We have concluded that with 18 months left, many systems that support mission-critical functions remain at risk of not being ready before 2000. We are very concerned that some essential government services could be interrupted at the start of 2000.

20.131 Notwithstanding the accelerated pace of work and the progress made since our last audit, more needs to be done. There needs to be a continued focus on Year 2000, including strategic intervention by the Treasury Board Secretariat as appropriate, and preparation and testing of contingency plans by departments and agencies to ensure that those mission-critical functions continue without interruption into 2000.

20.132 As we reported in 1997, other areas remain exposed to risk and merit common, horizontal efforts to address them. Reporting of information to Parliament on Year 2000 issues needs to be improved.



About the Audit

Objective and Scope

The 1998 audit focussed on selected government-wide mission-critical functions and selected systems that support them. Our objective was to assess the progress the government has made in identifying and mitigating the risks to its systems that support mission-critical functions as a result of the millennium date code problem, and to report on this to Parliament.

We examined actions taken by the government to address our October 1997 Report recommendations. We obtained an update of the government's state of readiness for Year 2000 at 30 June 1998 by reviewing survey results collected by the Treasury Board Secretariat. We have not audited the representations made by departments and agencies in the surveys.

In addition, we assessed Year 2000 risks to certain systems and applications that support six mission-critical functions of the government. The functions were selected on the basis of their significance to health and safety, to financial and legal implications and to essential services and support for program beneficiaries. Those systems and applications operate in the following departments and agencies:

- Canadian Food Inspection Agency;
- National Defence;
- Human Resources Development Canada;
- Indian and Northern Affairs Canada;
- Revenue Canada; and
- Royal Canadian Mounted Police.

The departments of National Defence, Human Resources Development Canada and Revenue Canada were among the nine departments that we audited in 1997.

Our findings pertain only to the systems and applications that we examined and are not representative of general progress in those departments and agencies.

Criteria

The general criteria used in this audit followed those used in our 1997 audit of the government's overall state of Year 2000 preparedness:

- There should be ongoing leadership initiatives to sustain commitment and support from departmental and/or agency senior management.
- Systems and applications that are critical to government as a whole should be identified, and the progress of their Year 2000 conversion, testing and implementation should be monitored and reported periodically. Where necessary, strategic intervention should be exercised to ensure that these systems and applications are successfully implemented before 2000.

- Where risk of failure remains a threat to critical functions of government, contingency plans should be developed and measures put in place to provide for appropriate transition to 2000.
- Initiatives should be in place to co-ordinate and facilitate Year 2000 efforts of departments and agencies to maximize their cost effectiveness.
- Parliament should be kept informed of matters of significance arising from the Year 2000 challenge and its effects on government programs and service delivery, including the government's progress in making its systems Year 2000 compliant.

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Report of the Auditor General of Canada to the House of Commons – 1998 Table of Contents

Volume 1 – April 1998

Chapter

	Foreword and Main Points
1	Expenditure and Work Force Reductions in the Public Service
2	Expenditure and Work Force Reductions in Selected Departments
3	National Defence – Equipping and Modernizing the Canadian Forces
4	National Defence - Buying Major Capital Equipment
5	Revenue Canada, Department of Finance and Department of Justice – Interdepartmental Administration of the Income Tax System
6	Population Aging and Information for Parliament: Understanding the Choices
7	Federal Laboratories for Human and Animal Health Building Project
8	Department of Finance – Effectiveness Measurement and Reporting
9	Reporting Government Financial Results: The Importance of Complying with Objective Accounting Standards

Volume 2 – September 1998

Chapter

	Foreword and Main Points
10	Canadian Human Rights Commission Human Rights Tribunal Panel
11	Agriculture and Agri-Food Canada – Cash Advance Program
12	Creation of the Canadian Food Inspection Agency
13	National Energy Board
14	Indian and Northern Affairs Canada - Comprehensive Land Claims
15	Promoting Integrity in Revenue Canada
16	Management of the Social Insurance Number
17	Patented Medicine Prices Review Board
18	The Financial Information Strategy: A Key Ingredient in Getting Government Right

Report of the Auditor General of Canada to the House of Commons - 1998 Table of Contents (cont'd)

Volume 3 – December 1998

Chapter

	Matters of Special Importance – 1998 Foreword and Main Points
19	Electronic Commerce: Conducting Government Business via the Internet
20	Preparedness for Year 2000: Government-Wide Mission-Critical Systems
21	Canadian International Development Agency – Geographic Programs
22	The Federal Science and Technology Strategy: A Review of Progress
23	Veterans Affairs Canada – Disability Pensions
24	Revenue Canada – International Tax Directorate: Human Resource Management
25	Transport Canada – Investments in Highways
26	Contracting for Professional Services: Selected Sole-Source Contracts
27	Grants and Contributions: Selected Programs in Industry Canada and Department of Canadian Heritage
28 29	Other Observations and Appendices Follow-up of Recommendations in Previous Reports Other Audit Observations

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> Report of the Auditor General of Canada

to the House of Commons

Chapter 21

Canadian International Development Agency – Geographic Programs

December 1998



Report of the Auditor General of Canada to the House of Commons

Chapter 21

Canadian International Development Agency – Geographic Programs

This December 1998 Report comprises 11 chapters, including "Matters of Special Importance", as well as a Foreword and the Main Points from the April, September and December 1998 Report chapters. In order to better meet clients' needs, the Report is available in a variety of formats. If you wish to obtain another format or other material, the Table of Contents and the order form are found at the end of this chapter.

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Chapter 21

Canadian International Development Agency

Geographic Programs

The audit work reported in this chapter was conducted in accordance with the legislative mandate, policies and practices of the Office of the Auditor General. These policies and practices embrace the standards recommended by the Public Sector Accounting and Auditing Board (PSAAB) of the Canadian Institute of Chartered Accountants. The numbered paragraphs in bold face represent recommendations.

Table of Contents

		Page
Main	Points	21–5
Introd	luction	21-7
	Focus of the audit	21–7
Obser	vations and Recommendations	21-8
R	esolving Conflicts Among Objectives Aid is tied more closely to foreign policy objectives	21–8 21–8
Ir	Progress toward results-based management is evident An accountability framework has been developed Work on results-based contracting has slowed considerably Risk management and monitoring need to be more consistently integrated into projects Determining whether benefits have endured is essential	21-9 21-9 21-10 21-11 21-11 21-12
R	eporting on Project Performance The quality of performance reporting is inconsistent	21–13 21–13
C	IDA's Performance Report to Parliament More meaningful, accurate and balanced reporting is needed Core indicators to measure development progress are being developed	21–14 21–14 21–15
C	ounterpart Funds CIDA has responded to 1993 concerns but better control is needed over payments into counterpart funds	21–17 21–17
Ir	nstitutionalizing Lessons Learned CIDA has made considerable progress	21–22 21–22
A	udit and Evaluation Further effort is needed on performance review	21–23 21–23
Concl	usion	21–24
Abou	t the Audit	21–26
Case	Studies — Observations in Countries Visited	21–18
Exhib	its	
21.1	Total International Assistance Envelope — CIDA and Other Departments and Agencies, 1994–95 to 1998–99	21–7
21.2 21.3	Main Components of CIDA's Share of the International Assistance Envelope, 1998–99 CIDA Official Development Assistance — Comparison of Disbursements by OECD Rating, 1993–94 and 1996–97	21-8
21.4 21.5	CIDA's Results-Based Management Policy Statement Four Key Indicators of Project Self-Sustainability	21–10 21–12
21.6 21.7	Measuring Development Progress: A Working Set of Core Indicators Problems in Control Over the Flow of Money Into a Counterpart Fund	21–16 21–23





Canadian International Development Agency

Geographic Programs

Main Points

- 21.1 In our 1993 Report, we raised a number of concerns about the performance of CIDA's Bilateral Programs. Our 1995 and 1996 Reports contained a description of CIDA's actions to implement an ambitious program of change and renewal. In this chapter we report on the extent to which CIDA has resolved the main concerns we raised in 1993.
- 21.2 CIDA has adopted the concept of results-based management to change the Agency into a more results-oriented and learning organization. Progress is evident. CIDA has introduced a Results-Based Management Policy Statement, and supporting policies and guidelines have been developed and communicated to staff. It has established a Framework of Results and Key Success Factors as a guide for its managers and partners to focus more on results as they manage projects. However, progress in applying the principles of results-based management to CIDA contracts has been slow.
- 21.3 CIDA is in the process of developing, reviewing and updating Regional/Country Development Policy Frameworks for all major countries and regions. Some of the more recently developed Frameworks state objectives and expected results. However, the expected results are not compared with actual results, one of the key means of assessing performance.
- 21.4 At the project level, where official development assistance (ODA) is actually delivered, we found a greater emphasis on results, but uneven progress toward actually managing for results. Critical assumptions for project success and expected results have been articulated and a system of annual progress reporting implemented, but the statements of expected results are not always realistic. Further, once critical risks have been identified and assessed, they are not consistently monitored and addressed. This calls into question whether the expected benefits of projects will be realized. Projects are not systematically monitored after funding ends to determine whether the results expected have been achieved.
- 21.5 CIDA prepares internal reports on performance, reflecting its increased ability to assess and report systematically on its performance. It also submits an annual Performance Report to Parliament; this would be improved if CIDA showed progress toward results for individual projects in the context of the results expected. In reviewing the Performance Report, we concluded that more rigour is needed to ensure that information is clear, meaningful, and accurate. The delivery of ODA in a great many countries and under uncertain political and economic conditions is a very complex and challenging undertaking, one that results in varying degrees of success. We believe it is important that CIDA bring out this dimension in its reporting; a more balanced picture would enhance the credibility of its reports.
- 21.6 We concluded that CIDA's actions have addressed the main concerns raised in 1993. The Agency now needs to keep up its momentum in implementing management for results. It has much of the supporting framework in place. To close the accountability loop, it needs to continue working on the measurement and reporting of development results.



Introduction

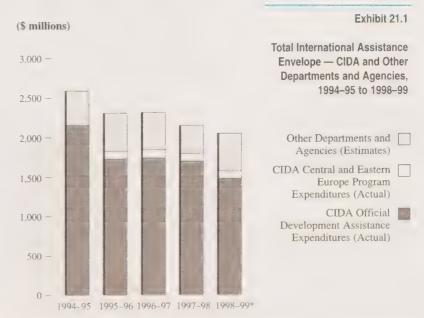
- 21.7 CIDA is responsible for administering about 78 percent of Canada's International Assistance Envelope (IAE). The remainder is delivered by, among others, the Department of Finance, the Department of Foreign Affairs and International Trade and the International Development Research Centre.
- 21.8 CIDA delivers its international assistance through a variety of channels. Geographic programs, also referred to as bilateral or country-to-country programs, account for nearly half of its program expenditures. The rest is delivered through funding to multilateral institutions such as United Nations programs, to international financial institutions such as the Regional Development Banks, and to a multitude of non-governmental organizations including universities, businesses and not-for-profit organizations.
- 21.9 As a result of Program Review, Canada's budget for international assistance was cut from \$2.6 billion in 1994-95 to \$2.1 billion in 1997-98; CIDA expenditures for Official Development Assistance (ODA) within this envelope were reduced from \$2.2 billion in 1994-95 to \$1.7 billion in 1995-96 and have remained relatively constant since then (see Exhibit 21.1). In April 1995, the government transferred the management of the program for Central and Eastern Europe and the Newly Independent States from the Department of Foreign Affairs and International Trade to CIDA. Although the program does not fall within the ambit of Canada's ODA, it is intended to be consistent with the foreign policy's six priorities of official development assistance.
- 21.10 For 1998–99, the IAE budget is about \$2 billion; \$1.6 billion of this will be spent on CIDA programs. Bilateral programs (Geographic Programs and Bilateral Food Aid) account for

approximately \$790 million, or about 50 percent of the Agency's total expenditures (see Exhibit 21.2).

Focus of the audit

- This audit was the third and final phase of a planned follow-up. Phase I consisted of two parts: first, the Agency's self-assessment of the actions taken as part of its renewal to address the principal concerns raised in our 1993 Report; and second, its development of a Performance Measurement Model (now called the Bilateral Project Performance Review System). Phase II covered CIDA's progress in implementing the model to measure and report on the performance of its bilateral programs and projects. This audit was Phase III and followed through on our 1993 work. Details on how we approached this work are presented at the end of the chapter in About the Audit.
- 21.12 Because ODA is delivered through projects, our audit was focussed primarily at the project level. We reviewed the Agency's programming framework in the countries selected for audit and its linkage with projects in those

This audit was the third and final phase of a planned follow-up of our 1993 work.



Source: Public Accounts; Estimates*

countries. We examined 28 projects in five countries, paying particular attention to planning, managing for, measuring and reporting results. In the course of our work, we heard many favourable comments by CIDA's country partners about the dedication and co-operation shown by CIDA staff. Our country-specific findings are presented on pages 21–18 to 21–22.

Observations and Recommendations

Resolving Conflicts Among Objectives

Aid is tied more closely to foreign policy objectives

21.13 In 1993, we were concerned that it was difficult for CIDA to concentrate on its objective of putting poverty first and encouraging self-reliance while, at the same time, it had commercial and political objectives that did not always lend themselves to dealing with poverty in a direct way and that encouraged external dependency.

21.14 We felt that competing or conflicting objectives should be pursued only consciously and in full realization of

the impact on the primary objectives. At stake was CIDA's ability to pursue its development mandate effectively.

21.15 In 1995, the government released its foreign policy statement *Canada in the World*, which set out a new mandate for Canada's Official Development Assistance (ODA), and defined international assistance as an integral instrument of foreign policy:

The purpose of Canada's ODA is to support sustainable development in developing countries in order to reduce poverty and to contribute to a more secure, equitable and prosperous world.

21.16 Canada in the World mandates Canada's ODA to concentrate available resources on six program priorities: Basic Human Needs; Women in Development; Infrastructure Services; Human Rights, Democracy and Good Governance; Private Sector Development; and Environment.

21.17 Canada in the World helped CIDA to address problems of conflicting objectives. It led to a policy framework that provides a structure for linking CIDA's development efforts to Canada's foreign policy more rationally than had been the case under the previous strategy. Further, it has helped CIDA to

Exhibit 21.2

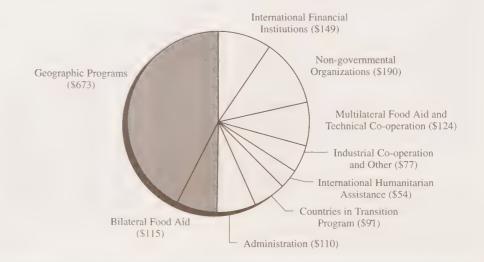
Main Components of CIDA's Share of the International Assistance Envelope, 1998–99

(\$ millions)



Bilateral programs account for approximately \$790 million, or about 50% of the Agency's total expenditures.

Source: Part III Estimates



communicate and explain its work to its partners and stakeholders.

21.18 CIDA budgets its bilateral ODA on a country basis. The need to concentrate assistance efforts on a limited number of countries has been a long-standing issue. In Canada in the World, the government committed itself to doing so while maintaining programs in other countries through low-cost, administratively simple delivery mechanisms. Over 120 countries received Official Development Assistance from Canada in 1996-97; the 20 largest beneficiaries accounted for just under 63 percent of the total amount. This represents an increase from 1993-94, when the 20 largest beneficiaries received 58 percent. As shown in Exhibit 21.3, the amount of assistance provided to countries rated by the Organization for Economic Co-operation and Development (OECD) as "least developed" and "other low income" has remained constant at about \$458 million, or 55 percent of CIDA's ODA expenditures.

21.19 Canada in the World calls for 25 percent of ODA to be committed to the program priority of Basic Human Needs, which includes emergency humanitarian

assistance. In 1996–97, 38.4 percent of CIDA's ODA program expenditures went to Basic Human Needs, including food aid and humanitarian assistance (33.9 percent when emergency humanitarian aid is excluded).

Implementing Results-Based Management

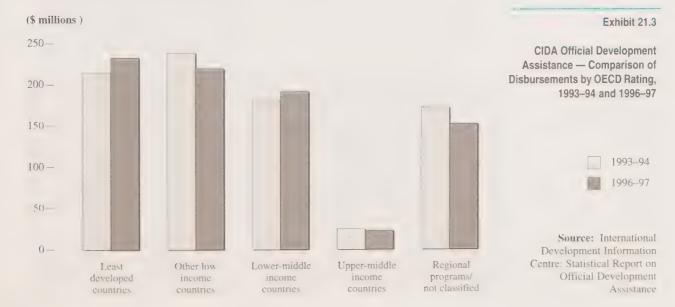
Progress toward results-based management is evident

21.20 As a result of its 1992 Strategic Management Review and our 1993 report on its bilateral programs, CIDA launched an ambitious renewal initiative in 1994. It made a commitment to Parliament to transform the Agency into a more results-oriented, accountable organization. CIDA adopted a policy of results-based management as an Agency-wide initiative to enable it to systematically address these commitments (see Exhibit 21.4).

21.21 To make the policy operational and to integrate the concept of results-based management into project delivery, the Agency undertook several key steps:

• developed an Agency Accountability Framework;

In 1994 CIDA made a commitment to Parliament to transform the Agency into a more results-oriented, accountable organization.



CIDA's accountability framework requires it to identify its objectives and demonstrate that resources are managed to achieve

the intended results.

- assembled practices, policies and guidelines into a Roadmap for practitioners;
- articulated its Framework of Results and Key Success Factors;
- developed Regional/Country Development Policy Frameworks; and
 - provided extensive training.

These and other actions represent significant advances by the Agency in putting into place the supporting framework for implementing results-based management.

An accountability framework has been developed

- 21.22 In 1993 we highlighted a need to clarify the extent to which CIDA is accountable to Parliament for managing for results, and the extent to which CIDA's staff and its partners are respectively accountable for obtaining results. In July 1998, CIDA's executive committee approved an accountability framework. It identifies accountabilities of the Agency overall; it further articulates the accountabilities of the President, branch heads, and key managers in each branch.
- 21.23 The basic definition of accountability in the framework requires that CIDA identify its objectives and demonstrate that the resources allocated to

it for official development purposes are managed to achieve the intended results. It also requires that the Agency report the results achieved in its development programs to Parliament and the Canadian public. The framework indicates that, through its partnerships with developing countries and Canadian and international partners, CIDA shares accountability for development results and its own accountability must be viewed in that light. CIDA accepts responsibility and accountability for monitoring actions by its recipient partners as well as other events that may affect development goals, and for acting to ensure that momentum toward these goals is maintained.

- 21.24 This shared accountability for ODA delivery makes it especially important for CIDA to follow through on its programs and projects so it can be in a position to report on whether Canada's ODA is producing the expected results. This type of information would be useful to include in CIDA's Performance Report to Parliament.
- 21.25 CIDA accepts that it is fully accountable for achieving operational results. This means that it is fully accountable for the setting of objectives, formulation of policies, selection of development initiatives, allocation of resources, monitoring and performance reporting. This also involves identifying expected outputs and outcomes, assessing

Exhibit 21.4

CIDA's Results-Based Management Policy Statement Results-based management in CIDA means:

- defining realistic expected results, based on appropriate analyses;
- clearly identifying program beneficiaries and designing programs to meet their needs;
- monitoring progress toward results, and resources consumed, with the use of appropriate indicators;
- identifying and managing risks, while bearing in mind expected results and the necessary resources;
- increasing knowledge by lessons learned, and integrating them into decisions; and
- · reporting on results achieved and the resources involved.

The Policy defines the results chain for bilateral program and project as follows:

- output is the immediate, visible, concrete and tangible consequence of program/project inputs;
- outcome is the result at the purpose level, constituting the short-term effect of the program/project;
- impact is a broader, higher-level, long-term effect or consequence linked to the goal or vision.

related risks and monitoring them, and taking appropriate corrective action.

Work on results-based contracting has slowed considerably

21.26 The Agency has not been as successful in its attempt to develop results-based contracting. CIDA delivers nearly all bilateral ODA through contracts with Canadian executing agents (CEAs). In 1995, it recognized the need for a contracting approach that would define the respective accountabilities and risks of both the executing agents and CIDA. In 1996, CIDA consulted with its CEA community. A joint task force, representing CIDA and the community, defined results-based contracting as "a contracting method which employs an iterative and participatory approach to results definition and seeks to promote the achievement of development results through appropriate contractual terms such as the statement of work, the basis of payment (including incentives) and mutually accepted performance indicators."

21.27 The report by the task force in June 1996 expressed some concerns about this approach; to address them it articulated a number of guiding principles. It called on the Agency and the supplier community to use the ideas and suggestions in the report and further develop the necessary policies, programs and operational practices needed to implement results-based contracting. However, CIDA deemed them too impractical to implement. Since then, progress has slowed considerably. The Agency told us that the complexity of trying to develop a results-based contracting approach was much greater than expected. In July 1998, a committee chaired by the President was established to review and simplify CIDA's contracting regime. Part of its work will be to recommend changes needed to implement an approach to contracting for results.

21.28 CIDA should make every effort to identify practical steps that it can take to incorporate the principles of results-based management in its contracts, and experiment with these steps in selected projects.

CIDA's response: CIDA will continue to follow the course of action developed by the Committee for Improving Contracting. Based on the results of pilot projects, it will pursue a practical and iterative approach to contracting for results and apply the lessons learned, where feasible, to its contracting process, recognizing that this is a long-term endeavour.

Risk management and monitoring need to be more consistently integrated into projects

21.29 Our 1993 audit of CIDA's bilateral programs noted the need for improvements in the way CIDA manages its operating risks, and CIDA then took steps to improve its risk management. Project managers were expected to monitor anticipated risks and use the information thus gathered to adjust project activities as necessary. CIDA's Results-Based Management Policy Statement and its Framework of Results and Key Success Factors called risk management integral to results-based management at the level of both country and project. We found that CIDA has improved its guidance and training on the identification and assessment of risk. Managers are trained to include in approval documents critical assumptions about risks to the outputs, outcomes and ultimate impacts of projects. However, there is little practical guidance on how to collect and use information on project risks, except for financial risk, as these evolve over time. CIDA would benefit from developing more specific guidance and tools in this area.

21.30 Our 1993 audit underlined the need to be able to obtain early warnings of project difficulties. In most of the projects we examined, we found limited ongoing

In July 1998, a committee chaired by the President was established to review and simplify CIDA's contracting regime. The sustainability of benefits needs to be considered throughout the duration of CIDA's involvement and monitored afterward.

monitoring of risks that had been identified in the planning phase, and no deliberate strategy for managing them. In their project reports to CIDA headquarters, Canadian executing agents normally discussed activities, not risks. In a number of projects, problems arose that had been at least partially predicted through risk analysis in the planning phase.

21.31 CIDA guidance and training have so far dealt with external risks — those outside the direct control of project managers, and often related to the level of commitment by the recipient country. The guidance does not address the equally important job of managing risks that are more internal to the project — for instance, those related to critical tasks, key personnel, or project complexity.

21.32 CIDA should broaden its guidance on risk assessment and risk management to include internal risks as well as external risks to a project.

CIDA's response: CIDA will strengthen its identification, assessment and management of internal risks of projects by enhancing the guidelines in the bilateral Roadmap and by reinforcing risk management in its training on results-based management.

Determining whether benefits have endured is essential

21.33 In order for development to occur, the benefits from a project should last beyond the termination of aid funding. The sustainability of benefits needs to be considered throughout the duration of

CIDA's involvement, and monitored afterward to determine whether expected benefits have endured. Exhibit 21.5 lists four key indicators of project self-sustainability. We noted that when events put at risk these conditions for sustainability, reactions by project managers were inconsistent. Some took action to deal directly with the risk. Others tended to continue the project with minor adjustments or consider applying additional resources, rather than stand back and analyze more fundamentally whether the project should be substantially changed or discontinued.

Generally, sustainable 21.34 programming requires commitment to projects over a long time frame possibly 10 to 15 years. The commitment must be supported by a strategy addressing the level of programming that is appropriate, the participation of other donors, and the recipient country's capacity to assume the project activities fully once CIDA's funding ends. We found that CIDA's five-year planning horizon does not cover the period of time that can be expected to elapse before the outcomes of these longer-term projects begin to take effect. Consequently, some of the projects cannot be sustainable unless their initial phases, usually five years, are extended by another one or two phases; yet planning documents do not always reflect this consideration.

21.35 CIDA and other donors are leaning increasingly toward "softer" projects, such as the institution-strengthening and capacity-building projects we examined. Because managing and measuring results achieved from these

Exhibit 21.5

Four Key Indicators of Project Self-Sustainability

Technical and managerial capability or readiness of the recipients (recipient country or "inheritor" institution) to sustain the project.

Commitment of the "inheritor" to assume ownership and responsibility for sustaining the project.

Target group involvement in project design and evaluation, and the value it places on the development benefits.

Availability of sustaining resources — cash and other resources — to operate and maintain the project over its life cycle.

projects present a new set of challenges, and the projects are related indirectly to poverty reduction, CIDA needs to closely monitor its own experience and that of others to ensure that this type of program tool is producing the expected results.

21.36 Applying results-based management to this softer type of project is particularly challenging. For example, expected results of development are hard to define and perhaps even harder to measure in projects that involve institution strengthening and capacity building. In most cases, longer-term outcomes and impacts of development do not begin to show until years after CIDA's direct involvement in funding ends.

21.37 To focus on results, however, CIDA needs to monitor whether the expected shorter-term effects of a project have been achieved and are likely to lead to the desired longer-term development impacts. Even though a project may be finished and CIDA funding ended, it is still important to monitor in a cost-effective way whether the expected results have materialized. We found that CIDA does not systematically continue to monitor projects after their completion to determine whether the results expected in the short and long terms have been achieved. Lack of this information precludes both possible action to increase the prospects of long-term results and an opportunity to learn lessons for future projects. Currently, CIDA obtains this kind of information in a limited way only through periodic performance reviews of its development priorities.

Reporting on Project Performance

The quality of performance reporting is inconsistent

21.38 Although the elements of results-based management are becoming embedded in project delivery, the first key step — defining results that are realistic — has not been easy. In most of the projects we examined, the initial

statements of expected results — particularly long-term impacts — were unrealistic, resulting in a subsequent need to modify the project or its goals, and presenting problems for reporting against expected results.

21.39 Results-based management guidelines and policies issued in 1996 refer frequently to expected results, and to comparing them with actual results. In practice, however, the focus has been on the immediate or short-term results of projects. Although statements of expected impacts or longer-term effects are developed along with quantitative or qualitative indicators of them, they are not integrated into the project management system for aid delivery. For example, there is no provision for longer-term monitoring to assess these indicators and report on whether development goals have been achieved.

21.40 The Policy for Performance Review, the Results-Based Management Policy Statement, and the accountability framework provide the structure for CIDA's performance measurement and reporting systems. The Annual Project Progress Report system (APPR), begun in 1996, provides the basic tool for tracking active projects with a value over \$100,000.

21.41 Once project managers complete these progress reports, branch management reviews them, and uses them to track the results of the projects. They are also used at the country and branch levels to address the difficulties identified in them. The information in the APPR includes project expenditures, expected and actual results (outputs, outcomes and impacts), lessons learned and progress ratings. The individual reports are compiled and a Bilateral Branch Achievement Report is produced. These reports along with audit and evaluation reports are used as inputs to prepare the Agency's Performance Report to Parliament.

The Annual Project Progress Report system is still evolving.

21.42 We reviewed the 1997–98 APPRs on the projects we had selected for our audit to see whether, based on our understanding of the projects, the information provided was accurate and meaningful. We found that most of the reports reflected the status of the projects fairly. However, in some APPRs we noted that the information was stated in terms that were more positive than the situation warranted. Also, actual results could not always be readily compared with the statements of intended immediate and short-term results. The Annual Project Progress Report system is still evolving. More management attention is needed, in our view, to ensure that the information provided in the reports is accurate and meaningful and that it is used in deciding on the future direction of projects.

CIDA's Performance Report to Parliament

More meaningful, accurate and balanced reporting is needed

21.43 Along with other government departments, CIDA submitted its 1996-97 Performance Report to Parliament in the fall of 1997. To determine how its performance reporting system works in practice, we reviewed the way CIDA produced the Geographic Programs section of its Performance Report for the fiscal year ended 31 March 1997. The Annual Project Progress Reports (APPRs) are the main source of the project information presented in the Performance Report; the latter cites many examples of the results produced by CIDA projects. We compared the results of 33 illustrations shown in the section on Geographic Programs with the results shown in the APPRs for the same projects.

21.44 The Performance Report describes a number of projects to illustrate performance. The Agency points out that international development activity does not yield meaningful results in neat financial year intervals. Consequently,

most of the illustrations present the results of activities that span a number of years, but the distinction is rarely made between these results and others that were the result of only one year's activity. Where the results shown cover several years of activity, the number of years is not shown. No information is given on the resources used to achieve the results shown for specific projects. These resources may include not only CIDA's expenditures but also the human and financial resources provided by other donors and recipient governments. Also, while the illustrations describe achievements, they do not describe them in the context of the results that were expected. Nor do they describe the significance of these specific projects in the context of the overall development program for the country. This information would provide a more meaningful picture of the Geographic Program's performance.

21.45 We also noted instances where the stated results were not consistent with those in the Annual Project Performance Reports (APPRs). These included, for example, showing expected rather than actual results or results beyond those shown in the performance reports. In our view, more rigour is needed in reviewing and compiling information for the Performance Report to ensure that it is clear and accurate.

21.46 CIDA delivers ODA in many countries under uncertain political and economic conditions and enormous constraints of infrastructure and geography. This makes project success and assessment of development results very complex and challenging. We noted that the branch achievement reports include numbers and percentages of projects that are progressing satisfactorily, those that have manageable problems and those with serious problems. However, the 1996–97 Performance Report excludes this information, although the Agency has reported it in the past. We believe it is important that CIDA bring out this dimension in its reporting; the credibility

The Performance
Report illustrates
achievements, but
does not describe
them in the context of
the results that were
expected.

of its reports would be enhanced by a more accurate balance between positive accomplishments and areas where expected results could not be achieved. In the latter cases, CIDA could describe the types of actions it has taken to deal with problems or the way it will apply lessons learned to future projects.

21.47 CIDA should more rigorously review the quality of the information in its Performance Report, and present a more meaningful and balanced picture of its performance.

CIDA's response: CIDA will continue to improve the consistency, accuracy and reliability of its performance information so that a more balanced and meaningful picture can be reflected in its Performance Reports.

Core indicators to measure development progress are being developed

21.48 In its Performance Report, CIDA acknowledged that it is possible to measure outputs (the immediate, visible, concrete and tangible results of a project) and outcomes (the achievement of the purpose identified for the particular project). However, it questioned the feasibility of using aggregated performance information from the project and institutional levels to comment definitively on the Agency's overall performance or on its performance at the country or program level.

21.49 The Agency points to the difficulty of measuring impacts — that is, broader, higher-level, long-term benefits to the community, country or group. There are several factors that make the task highly problematic. A key one is the difficulty of attributing a particular development impact to a specific CIDA contribution. A second is delay: generally, outcomes and impacts can be expected only several years after projects have been completed. It is difficult to track them after the beneficiaries have taken ownership of a project. CIDA points out

that other donors also experience these difficulties. The Agency is sharing with them its approaches and its performance data to find ways of addressing these concerns.

21.50 We agree that it may be difficult to measure outcomes and impacts and to attribute them to a single project or a single donor such as CIDA. Nonetheless, the Agency allocates bilateral program funds on a country or regional basis. The strategic planning process culminates in a multi-year plan at the country or regional level, based on an analysis of the various factors and risks underlying CIDA's interventions. We noted that some of the more recent Regional/Country Development Program Frameworks state the development results that are expected at the country level. CIDA could attempt to periodically assess whether these expected results have been achieved at the regional/country level.

21.51 Reporting on Canada's ODA program is often done in terms of amount spent — usually as a percentage of Gross National Product (GNP), which is then compared with the standard international spending target for ODA, 0.7 percent of GNP. In 1996–97, Canada's spending on ODA was about 0.34 percent of GNP. This indicator is widely used internationally for intercountry comparisons of spending on official development assistance.

21.52 While this may be a useful indicator of spending on aid effort or commitment to it, it is an indicator of input rather than output: it does not measure the results or the effectiveness of aid. Developing indicators of results is a logical next step in CIDA's results-based management process. CIDA has been supporting and working with the Development Assistance Committee of the OECD to develop a working set of core indicators for measuring the progress of development efforts. An illustration of these possible indicators is shown in Exhibit 21.6. Developing and reaching international consensus on core indicators

Reporting on Canada's Official Development Assistance program as a percentage of GNP does not measure the results or effectiveness of aid.

Exhibit 21.6

Measuring Development Progress: A Working Set of Core Indicators

	Goals	Indicators		
Economic Well-Being				
Reducing extreme poverty	The proportion of people living in extreme poverty in developing countries should be reduced by at least one-half by 2015.	 Incidence of extreme poverty: population below \$1 per day. Poverty gap ratio: incidence times depth of poverty Inequality: poorest fifth's share of national consumption Child malnutrition: prevalence of underweight under 5s 		
Social Development				
Universal primary education	There should be universal primary education in all countries by 2015.	 5. Net enrolment in primary education 6. Completion of 4th grade of primary education 7. Literacy rate of 15 to 24 year-olds 		
Gender equality	Progress towards gender equality and the empowerment of women should be demonstrated by eliminating gender disparity in primary and secondary education by 2005.	8. Ratio of girls to boys in primary and secondary education9. Ratio of literate females to males (15 to 24 year-olds)		
Infant and child mortality	The death rates for infants and children under the age of five years should be reduced in each developing country by two-thirds the 1990 level by 2015.	Infant mortality rate Under 5 mortality rate		
Maternal mortality	The rate of maternal mortality should be reduced by three-fourths between 1990 and 2015.	12. Maternal mortality ratio 13. Births attended by skilled health personnel		
Reproductive health	Access should be available through the primary health-care system to reproductive health services for all individuals of appropriate ages, no later than the year 2015.	14. Contraceptive prevalence rate15. HIV prevalence in 15 to 24 year-old pregnant women		
Environmental Sustainabil	ity and Regeneration			
Environment	There should be a current national strategy for sustainable development, in the process of implementation, in every country by 2005, so as to ensure that current trends in the loss of environmental resources are effectively reversed at both global and national levels by 2015.	 16. Countries with national sustainable development strategies 17. Population with access to safe water 18. Intensity of freshwater use 19. Biodiversity: land area protected 20. Energy efficiency: GDP per unit of energy use 21. Carbon dioxide emissions 		
General Indicators	-			
Other selected indicators of development	Population Gross National Product	GNP per Capita Aid as % of GNP Adult Literacy Rate Total Fertility Rate Life Expectancy at Birth Aid as % of GNP External Debt as % of GNP Investment as % of GNP Trade as % of GNP		

Source: OECD

of results is a complex undertaking, and the current effort is still very much a work in progress. We encourage CIDA to keep up its efforts with other donors, multilateral institutions and developing countries to refine and reach consensus on a set of indicators.

21.53 Once this is done, CIDA could use the indicators in its reports to describe a country's development results. Because donors are acting more in concert, the results will likely not be attributable directly to any one donor, but CIDA could show how its projects have contributed to the overall results. What is important is that lasting development results be achieved, not that they be attributed directly to the intervention of any particular donor. This type of reporting would reinforce CIDA's move to focus more on development results, and would improve accountability for the effective use of ODA funds.

Counterpart Funds

CIDA has responded to 1993 concerns but better control is needed over payments into counterpart funds

In June 1994, CIDA published a set of new directives on counterpart funds. The new directives defined the respective accountabilities and responsibilities of CIDA and the recipient country for managing counterpart funds. Counterpart funds are a development instrument whereby Canadian commodities or goods are converted to aid funding. CIDA approves a project amount, which it refers to internally as a line of credit to the recipient country, to finance the purchase of the commodities or goods in accordance with its Canadian content policy. A Canadian supplier sells the product in the recipient country and CIDA pays the supplier in hard currency. The policy requires that normally the same amount in local currency then be paid into the counterpart fund by the local buyer as described in the agreement with the

recipient country. The counterpart fund legally belongs to the recipient country; it is usually controlled by a joint board and used to fund development activities. In 1993, we were concerned about CIDA's lack of assurance that all moneys in counterpart funds had been spent for the intended purposes and had been accounted for fully.

21.55 In 1997, CIDA undertook an audit of counterpart funds. An interim audit report in March 1998, based on the audit of three funds, noted weaknesses in the flow of money into all three that had resulted in the appropriate amounts not being credited to the funds. In one case, the internal audit could not provide assurance that the recipient government had deposited into the fund the full amount that was required, and that funds had been used for the purposes intended. The audit also concluded that CIDA should re-examine the issue of the ownership of the funds as well as reporting on results achieved from their use. As a result, the counterpart fund policy is being revised to address these concerns.

21.56 We examined three counterpart funds in Bolivia, Bangladesh, and Senegal. Given that the structure of each counterpart fund is unique to the country in which it operates, we cannot form an opinion on the management of counterpart funds in general. We found that for the funds we examined, CIDA had adequate assurance that all moneys had been spent for development purposes and had been accounted for fully. However, in two of the funds we found problems in control over the flow of moneys that resulted in less than the full amounts being placed in the funds. In one case, CIDA allowed payment into the fund of less than it had paid to the Canadian supplier (see Exhibit 21.7). In the other fund, the memorandum of understanding with the recipient country allowed it to withhold from the amount to be deposited up to 7.5 percent in incidental charges. We noted that there

(continued on page 21-22)

Bangladesh

Bangladesh is one of the Agency's largest bilateral programs. In 1997–98, CIDA's expenditures on the program were \$37 million; over the past five years they have totalled about \$225 million.

In 1991, CIDA developed a Country Development Policy Framework for Bangladesh. The framework pointed to many structural weaknesses in the country, such as weak state institutions and a lack of local financial resources to operate and maintain development projects. These made self-reliant development very difficult. The goals and objectives of Canada's ODA program were long-term. They aimed at supporting the reform process in Bangladesh by influencing policy changes and strengthening institutional capacity for sustainable development, and by transforming donor dependency into a partnership based on greater self-reliance. This represented a move away from CIDA's former capital-intensive approach in the energy and railway sectors.

CIDA is currently finalizing a new program framework for Bangladesh. The new framework will not represent a dramatic departure from the direction outlined 1991, given that the fundamentals underlying Bangladesh's development dilemma have not changed significantly since then.

Bangladesh was one of the countries selected for our 1993 audit. Sustainability of projects was one of our major concerns. Some of the projects included in that audit are still ongoing. During our 1998 audit we wanted to see what changes the Agency had made to improve sustainability. We selected five projects; three had been in existence since before 1993, and two of those were among projects we examined in 1993. Since then, CIDA has made major changes in the projects to enhance their potential for sustainability. In general, we found that CIDA had taken steps to address our 1993 concerns.

To enhance the possibility of sustainable developmental results, one project we examined was redesigned as a result of lessons CIDA had learned during the initial years of implementation.

The Rural Maintenance Project was initiated in 1983 as a small pilot project. It is now in its third phase. Phase I (1985-89) was originally designed as a relief project to employ destitute women to maintain rural roads year-round. There was no limitation set on the duration of employment during the early period of the project, and there were no plans for the transfer of the project to the Government of Bangladesh. Phase II saw a further expansion of the project. CIDA undertook evaluations during the course of the project in 1992 and 1993. As a result of the 1992 evaluation, the project was redesigned. Phase II saw the inclusion of an income diversification component.



A "graduate" of the Rural Maintenance Project now selling clothing to earn a living.

The income diversification component of the redesigned project provides skills training to the women so that when they leave the project they can earn a living. During their four years of employment, the women accumulate savings through a 19 percent holdback in wages, and are trained in "life skills" such as arithmetic and household budgeting and in possible means of self-employment for income generation. They "graduate" from the program after four years, and others are recruited into it. During Phase III, which started in 1995, the redesigned project employed approximately 36,000 women.

The project provides for the gradual transfer of more ownership and responsibility for road maintenance from CIDA and the Canadian executing agent to a ministry of the

Government of Bangladesh. Financial responsibility for the payment of salaries to the women is increasingly borne by the Government of Bangladesh. The skills development and training components of the project are also being shifted to a new Bangladeshi entity.

The 1995 agreement with the Government of Bangladesh stipulated that it would increase its contribution to the women's salaries to 90 percent from the original 10 percent by the end of Phase III in June 2001. In 1998 CIDA agreed to reduce this commitment to 55 percent by July 2000. In 1998, the Bangladesh contribution was 35 percent.

Another project we examined showed a delay in effective action to ensure stronger commitment by the recipient organization. Warning signs that called the project's sustainability into question had been present for several years.

The Bangladesh Rail II project was approved in 1986 at a value of \$99 million over a period of 10 years. It was aimed at improving the capabilities and performance of repair and overhaul workshops. Stage II was started in 1994. In 1995, the agreement with the Bangladesh government was extended to March 2000. The project goal was to increase locomotive availability, productivity and traffic volumes and thus Bangladesh Rail's revenue. It was part of a larger strategy supported by another major donor that aimed to commercialize the railway, currently run by the government.



Workers of the Rail II project overhauling locomotive components at the central locomotive workshop.

In 1990, after a major assessment of the viability and relevance of the project, CIDA set out the key conditions and the inputs required from Bangladesh Rail (BR) as a condition of CIDA's continued involvement. Due to the size of the project and its complexity, CIDA engaged an agency to assist in the management of the project. Monitoring missions reported that although progress was being made, project results for Stage II were slipping. Bangladesh Rail was not living up to its promised level of support for the project. For instance, it did not provide the full budget to meet the target for locomotive overhauls. CIDA held meetings with BR and agreed to new targets. Again, these were not met, or were met only partially. It

became evident that from the outset the project had not enjoyed the necessary visibility and commitment among the top management of the railway.

Finally, in June 1997, the project manager concluded that due to a lack of effective progress by Bangladesh Rail, the sustainability of the Rail II project was in serious doubt. While continuing its funding, CIDA re-evaluated the project in the ensuing months and considered the options of continuing or not. As a result of the assessment, CIDA informed BR that continuation of the project was in doubt. BR senior management then pledged stronger commitment to remedy the situation and to support the project. It submitted a detailed

time-bound action plan to address the concerns. It increased the maintenance budget and developed a plan for a new organizational structure for locomotive maintenance and rolling stock.

CIDA decided to continue, but modified the scope of the project. It refocussed some aspects to link to the corporate reforms of BR that it considers essential to long-term sustainability. It plans to reassess the project on an annual basis to ensure that established targets are being met and that the achievements are indeed sustainable. CIDA's disbursements to the end of 1997 totalled more than \$70 million.

Bolivia

In 1995 CIDA designed a Bilateral Program Framework for Bolivia that set out the goals and objectives of Canada's ODA program for the ensuing five years. The document identified program themes, a series of proposed program elements or projects, an assessment of risks, and a number of expected results.

CIDA's bilateral assistance to Bolivia is centered on two themes:

- improving the long-term income-earning potential of poorer Bolivians; and
- supporting the reform initiatives announced in a 1993 master plan by the Bolivian government and translated in 1994 into five priority reform programs.

CIDA's program themes were closely related to the reforms. The program it proposed would build on past Canadian assistance to Bolivia, notably in such fields as the hydrocarbon sector, the health sector, support to groups providing credit to micro-enterprise, and public sector reforms.

At the 1994 meeting of the World Bank Consultative Group, the Government of Bolivia received strong indications of donor support. CIDA is one of the smaller donors to Bolivia, with a bilateral country program of \$7 million per year in 1997–98.



CIDA staff at the gas refinery near Santa Cruz, part of the state oil and gas company that was capitalized.

CIDA identified the challenges and risks to achieving the expected results, and identified a number of principles to be followed to minimize those risks. A midterm review to assess progress against the expected results of the strategy was planned for 1998.

We examined five projects In Bolivia.

Many of CIDA's projects in Bolivia were
"softer" in nature and were focussed on

capacity building. The projects appeared to demonstrate a strong focus on results.

CIDA's largest project, at just over \$11 million, involved the hydrocarbon sector. This project demonstrated a focus on results, good risk management and attention to sustainability. Project objectives and outputs were developed jointly by the recipient organizations and the executing agent. The recipient organizations nominated a "champion" at a senior level with decision-making authority. The Bolivian government provided access to its highest levels of decision making. During the project's implementation, regular technical and management review meetings took place with senior levels of government and the state oil and gas company. The recipient Bolivian organizations provided dedicated personnel and subsidized the costs of Canadian advisors. Monitoring the risk factors and adjusting the project accordingly contributed to moving the project forward.

To date, large sections of the company have been capitalized, the legislation has been enacted, the regulatory body and the regulatory framework have been established and they are being administered by the Bolivian government. Those were among the expected results of the project.

Estonia

CIDA manages its aid to Estonia under a transition strategy whereby aid will gradually decrease, and end definitively in 2005–06. The strategy was based on CIDA's Regional Framework for Central and Eastern Europe. The Estonian government aims to expeditiously meet the necessary standards for participation in the European Union market. Our discussions with Estonian government officials and project partners demonstrated a general agreement with the CIDA strategy and deadline.

Aid to Estonia is not classified as ODA.

Project planning and implementation there have differed in some respects from ODA projects. Initiatives for projects often emerged domestically from Canadians with ties to Estonia, and CIDA's involvement was usually responsive rather than proactive. CIDA has encouraged projects to acquire funding from



The old city of Tallinn. CIDA has helped the City of Tallinn modernize its city planning function and create a tourism plan.

other donors and has placed a strong emphasis on local involvement. The program has acknowledged the fast pace of change in Central and Eastern Europe and has encouraged flexibility in project planning and implementation. The program recognizes that it should not have unrealistic expectations for its overall impact in the countries. Its aim has been to support specific aspects of the reform process by addressing bottlenecks and capitalizing on opportunities within the transitional time frame.

We audited 11 projects in Estonia. They included some projects that were also operating in Latvia and Lithuania. Most projects had resulted in clear sustainable benefits. We noted a consistent focus on results by CIDA managers, Canadian executing agents and local partners. We also noted some weaknesses in risk management. In the absence of ongoing risk management, CIDA dealt with the problems related to previously identified risks by applying additional resources through expansion or extension of the projects.

Senegal

In June 1997, CIDA established a country profile for Senegal. It describes the social, economic and environmental situation in Senegal, the local government strategy for development and the Canadian strategy for aid intervention. CIDA's development strategy in Senegal takes into consideration the strategy of the Senegalese government and is in line with the Agency's strategy in West Africa. However, the country profile does not identify expected results, nor means to measure performance at the country program level. We also found that for most projects we examined in Senegal, the Senegalese contribution was provided mainly by the counterpart fund, financed entirely by CIDA. This new country strategy did not address that issue, although it is critical to ensuring the sustainability of results. At the time of our audit, CIDA told us that it was negotiating with the Senegalese government to address this situation. For the five-year planning period, CIDA's programming in Senegal will focus on education, good governance and support to the private sector. Although CIDA is not one of the major donors, its support to Senegal has been

consistent for many years at approximately \$20 million per year.

CIDA's objective under education is to increase the child schooling rate and to decrease illiteracy. In Senegal, the level of schooling is among the lowest in the world and is still declining. Reversing that situation is an important objective for the government of Senegal and for CIDA. Three of the six projects we examined during our field audit in Senegal are related to education. Two mutually supportive projects to increase elementary schooling rates have so far shown a good focus on results. In 1994, CIDA started a development project with the objective of improving basic education facilities and access. The project had been planned in accordance with the Senegalese national plan for education and in collaboration with other international donors. It used an innovative approach to attract children to primary education, by bringing in the community to participate in the school program. Commitment by local communities and the transfer of expertise to beneficiaries were viewed as requirements for sustainability. CIDA

managers adopted a results-based management approach to the project.

In 1996, the other international partners ended their support prematurely, although CIDA managers had not identified that possibility as a risk. To ensure the expected results, CIDA responded on an emergency basis with a second project, to build and furnish classrooms. Progress reports on both projects have presented the status of activities and the results achieved to date, comparing them with the expected results. During our examination of these projects, we observed that the expected results were being achieved progressively. Classrooms were built or renovated with the involvement of the community and furniture was manufactured, both at considerably lower cost than expected. School programs were redesigned to enhance the community's interest, consequently increasing child participation. Local partners viewed the projects as successful and the government of Senegal expressed its intent to use it as a model approach for the country.

Our examination of another literacy project revealed deficiencies in risk management and results-based management. There was little attempt to identify internal risks; identified risks were ignored; and expected results remain vaque.

Project managers of intricate projects do not normally identify complexity as an internal risk. In this literacy development project with a budget of \$15 million, the implementation suffered severe start-up problems. Our analysis indicates that part of the problem was the difficulty of dealing with a plan that called for numerous subcontractors to be managed by an on-site project management team of two Canadian executing agents and a recipient country project director. So far, results have been far below those expected.

The Senegalese Ministry responsible conducted a risk assessment that identified a number of risks surrounding the project. One that it identified as significant was cost control over the operators (subcontractors). The project proposal, including the risk assessment, was made available to CIDA in February 1995. That same proposal produced the original costing of 10,000 CFA francs per pupil.

On 4 July 1996, CIDA signed a contribution agreement with the Canadian executing agent (CEA). The description of outputs in that contract stipulated that 200,000 people were to become literate over five years. The direct cost of that component was estimated at \$5.6 million.



In a development project with the objective of improving basic education facilities and access, CIDA contributed aid to build and furnish classrooms.

Two weeks later, however, on 19 July 1996, CIDA's representatives in Dakar reported on the operational planning mission conducted in early July. Their report estimated the costs per student at 22,772 CFA francs. It concluded that the estimate of output should be revised from 200,000 people to 94,111. At the end of our audit, the project manager had not officially revised the output estimate.

CIDA guidelines state that a significant decrease in output represents a cost increase. This cost increase should have been approved by the Vice-President. We noted that the project steering committee decided that the normal 10-month course would be reduced to six months in order to meet the original output goal.

This decision was made without any apparent study of its feasibility.

As of July 1998, 18,000 students had passed the Ministry exam and 4,800 more were awaiting their results. The June 1998 Annual Project Progress Report notes that a downward revision should be made in the output goal, as the project is achieving results far below those expected for this module. We were told that negotiations are under way with the Senegalese government on the target number of people to become literate. CIDA terminated the contribution agreement with the CEA in June 1998

With the implementation of results-based management, CIDA initiated new tools to measure results at the output, outcome and impact levels. For example, in the schooling projects that we audited, progress reports presented some actual results against expected results at the output and outcome levels. However, it was too early to report at the impact level. Two projects will end in 1998 and it will still be too soon to measure their real impact. There is no provision for follow-up on results at the project level after funding by CIDA ends. In addition, there is no provision at the country program level for gathering the basic information necessary to measure the long-term performance of CIDA's intervention. Consequently, there will be no assessment of the overall impact at either the project level or the country program level.

Vietnam

In 1994, CIDA established a Country
Development Policy Framework for Vietnam that
set out the goals and objectives of Canada's
ODA program, a strategy for achieving them,
and the expected results. At the time, CIDA had
limited operating experience in Vietnam.

Compared with other bilateral donors, Canada's financial commitment in Vietnam is in the middle range, with a bilateral country program of \$15 million per year. Large-scale infrastructure and social development projects are beyond the scope of Canadian ODA resources. Accordingly, CIDA's strategy is to enhance Vietnam's own capacity to address development objectives. It does this through a policy that supports the building of capacity and systems of governance. CIDA's Country Development Policy Framework correctly recognized that the capacity-building approach presents certain risks to the achievement of expected results; and it recognized that individual projects are also vulnerable to these risks. CIDA also developed performance

indicators for use in monitoring and evaluating achievements against expected results.

Continuous monitoring and evaluation by a corporate monitoring committee were to be an integral part of the strategy. The committee was to meet regularly to review progress toward achievement of results, review constraints or problem areas, assess solutions, and share lessons learned. An evaluation of the Framework was called for in the fourth year of its implementation.

In Vietnam we examined six projects. Four, involving institution strengthening and capacity building, had planned expenditures totalling \$38 million over their initial phase. Three of the four were experiencing some problems, from manageable to serious. The risk that these problems would occur had in some cases been identified earlier, but there was no specific plan for dealing with them. For example, from the outset and more than a year into the projects, CIDA and the country partner did not share a common understanding of what CIDA meant by capacity development and what results were expected from the projects. CIDA underestimated the considerable effort and resources required to reach a common understanding with its Vietnamese project partners. Early expenditures by CIDA had limited value because the country partner was not able to absorb the information provided by consultants from Canada.

As a consequence, in another project (currently in the planning stage) CIDA mounted a particular effort to ensure that all parties understood the purpose of the project and the development result that was expected. CIDA was also looking at options for better oversight

of the flow of funds, particularly in the early stages of the project.



Development of micro-credit systems in Vietnam. CIDA is helping to mobilize rural savings to finance small businesses.

Assumptions about conditions for sustainability need to be re-examined regularly in such projects. Their very nature means that the country partner does not have the technical and managerial capability at the outset to sustain the project. Another possible indicator of project sustainability is the level of financial commitment and participation by local partners. In some projects, CIDA provided most of the financing and had to encourage local participation by providing per diem funding or special equipment. CIDA managers pointed out that they had little choice but to use such

practices because other donors commonly provide these kinds of incentive. This raises questions about the potential sustainability of the projects.

The review of the country program's implementation was carried out in the fourth year, as the Bilateral Branch had planned. The draft review report noted that the corporate monitoring committee had met only a few times at the start of the program and was no longer active. It provided an update of the current development context, and discussed lessons learned from the experience of the past four years. It also led to a refining of CIDA's development objectives. However, it did not review progress against the expected results set out in the original development framework.

In our view, this was a missed opportunity. Having made the effort to articulate a set of expected results and possible indicators for measuring and reporting progress, CIDA would have benefited by using them to compare whether actual progress to date met its expectations, whether the results it had expected were realistic, whether the performance indicators were practical, and whether refinements were needed.

(continued from page 21–17)

had been no study, as called for by CIDA policy, to establish the amount of the net proceeds to be placed in the fund; the recipient country consistently withheld the full 7.5 percent. There was no accounting for how these funds had been spent, as we would have expected in the absence of such a study. Over the last three years, these charges averaged \$930,000 per year. Given the potential for problems of this nature, CIDA will need to ensure that it applies its policy on payments to counterpart funds more consistently.

21.57 Where a transaction results in a payment into a counterpart fund of less than the full amount paid by CIDA, CIDA project managers should document the rationale for the transaction.

CIDA's response: CIDA will strengthen its procedures to include the need to document adequately the rationale for this kind of transaction in the management of counterpart fund projects.

Institutionalizing Lessons Learned

CIDA has made considerable progress

21.58 In 1993 we were concerned that CIDA did not have an organizational "learning culture". We urged the Agency to institutionalize lessons learned at the project and country levels. In response to our comments, CIDA agreed to initiate a simple and clearly understood mechanism that would allow lessons learned to be captured and accessed.

21.59 CIDA undertook formal and informal steps to strengthen its learning culture. Lessons learned are an integral part of the Policy for Performance Review and the Results-Based Management Policy Statement. They are one of the key elements of the Annual Project Progress Reports and the end-of-project reports, and are incorporated into branch-level achievement reports. Lessons learned are being synthesized as part of each corporate review carried out by the Performance Review Branch. The Agency has set up various vehicles to gather and disseminate lessons learned. Examples of these vehicles are the President's Forum on best practices, and informal networks such as the results-based management practitioners' network and others that discuss areas like Women in Development, and Environment.

21.60 CIDA has made considerable progress in incorporating the concept of lessons learned into the results-based management approach. The system for capturing lessons learned relies mainly on the APPR. The quality of information on lessons learned varies considerably among

APPRs. CIDA needs to do more to consolidate, analyze and disseminate this information to make it useful to staff. Otherwise, the risk is that project staff will not see the exercise as useful and its value to the organization and to performance reporting will be lost.

Audit and Evaluation

Further effort is needed on performance review

In July 1994, CIDA introduced its Policy for Performance Review. This policy established a framework for the audit and evaluation functions and has had the effect of creating a closer connection between the Performance Review Division and operational branches at CIDA. The Policy also called for a Performance Review Committee with membership drawn from inside and outside CIDA, in order to demonstrate an openness to renewing performance review and to benefit from the experience of other departments. However, this committee met only twice, in 1995. We were informed that the Executive Committee

CIDA has made considerable progress in incorporating the concept of lessons learned into the results-based management approach.

The counterpart fund in Senegal involved the sale of Canadian sulphur. There is a world market for sulphur. We found in at least three shipments that the buyer in Senegal would not agree to pay the price per ton that the Canadian supplier had quoted, insisting instead on paying no more than the going international price. CIDA financed the transactions at the higher price, and allowed the buyer to deposit the lower amount to the counterpart fund. As a result, in the three transactions CIDA paid Canadian suppliers a total of US \$844,000 above market rates in order to maintain the viability of the counterpart fund. This was contrary to the intent of CIDA policy and to the agreement with the recipient country.

In answer to a letter from a Canadian supplier complaining about the bidding procedures for this project, CIDA's President responded in August 1993:

... In the case of CIDA's lines of credit with recipient countries, the final decision to contract always rests with the buyer who is required to reimburse his government an equivalent value in local currency to that paid by CIDA to the supplier in Canada. If the buyer does not agree with the price, he/she simply refuses to enter into contract and the tender is cancelled....

We did not find appropriate written authority for CIDA to act contrary to these principles. Officials told us that there were no alternative products to provide funding for the counterpart fund had the sales not gone through. As this fund was necessary to pay for the Senegalese portion of many of CIDA's projects in that country, lack of funds would have jeopardized nearly all those projects. This was recognized by CIDA and we were informed that corrective action is being taken. No substantiated explanation was on file for the higher-than-world-market prices quoted by Canadian firms.

Exhibit 21.7

Problems in Control Over the Flow of Money Into a Counterpart Fund performs this role now. In 1997, the Performance Review Division obtained Branch status and began to report directly to the President of CIDA, and its Director-General became a member of the Executive Committee.

In 1995, CIDA reported to 21.62 Parliament that it planned to conduct performance reviews of the six ODA programming priorities over the next three years. However, significant slippage has occurred. To date, the Performance Review Branch has undertaken three reviews covering two of the priorities. The Branch indicated that these reviews had proved more complex and costly than planned. The reviews also incorporated a more comprehensive approach, designed to identify implications for policy development in the ODA priority areas as well as lessons learned from individual projects. In addition, the Branch was assigned the lead role in the development and implementation of results-based management across the Agency. The remaining reviews of the ODA priorities have now been rescheduled over the next few years.

The Agency needs to maintain its momentum toward implementing management for results.

21.63 We noted that the Policy for Performance Review did not address concerns we expressed in 1993 about project evaluations (now called management-led operational reviews). We felt then that there was a need to guard against a perceived lack of objectivity, mainly because project evaluations were commissioned by the Geographic Program staff. There was no ongoing quality assurance function in CIDA that examined whether minimum evaluation standards had been met.

21.64 The Branch has since undertaken several initiatives to help ensure more consistent quality of operational reviews. It has encouraged use of the Framework of Results and Key Success Factors as the basis for these reviews, and has established a standing offer list that Geographic Program staff can use to

contract for the services of performance reviewers. In addition, on request the Branch provides guidance on the conduct of operational reviews.

21.65 These initiatives represent progress, but they still do not address our concerns. We believe that the Agency needs to monitor at the corporate level whether expected quality standards are being met.

21.66 The Performance Review Branch should selectively review the quality of operational reviews conducted by the geographic branches as part of its regular audits and evaluations.

CIDA's response: CIDA will, on a selective basis, review the quality of the operational reviews conducted by the geographic branches as one of the lines of inquiry in its audits and evaluations.

Conclusion

21.67 The Agency is now well into the renewal program it began in 1994. The framework for results-based management along with supporting policies and guidelines have been developed and communicated to CIDA's staff and development partners. We concluded that CIDA's actions have addressed the main concerns we raised in our 1993 Report. However, while a more determined focus on results is evident at the levels of country program and project delivery, progress in implementing results-based management has been uneven.

21.68 The Agency needs to maintain its momentum toward implementing management for results. In focussing on results, it needs to take a harder look at whether country programs or projects should be continued, scaled back or rethought when expected development results are at risk because of changes in critical underlying assumptions, absence of essential conditions for sustainability, or other factors that could have an adverse

impact. The Agency also needs to monitor projects in a cost-effective way after their completion to determine whether expected results have been achieved.

21.69 The Agency has developed a performance reporting system that starts at the project level and ends with its Performance Report to Parliament. Both internal and external reporting can be improved by including information on expected as well as actual results at the project and country levels, and by presenting a more balanced picture of accomplishments, difficulties and challenges in delivering development assistance.

21.70 All donors recognize that it is difficult to measure development results at the country or program level. However, the Development Assistance Committee of the OECD is developing a working set of core indicators to measure development progress at a level higher than that of the individual projects. CIDA has contributed to the development of these indicators, which are still being refined and tested. As CIDA gains more experience in results-based management, indicators such as these or others that may emerge could provide it with a means of reporting program results to Parliament.



About the Audit

In 1994, CIDA and the Office of the Auditor General agreed that we would conduct a phased follow-up of our 1993 audit of CIDA's bilateral programs for official development assistance. The work would focus on actions taken by CIDA to address the main concerns raised in our 1993 Report. This audit represents the third and final phase of the "phased follow-up" approach.

Objectives

Our objectives were:

- To assess the extent to which CIDA's actions in implementing a results-based management approach have satisfactorily resolved the main concerns raised in our 1993 Report.
- To review the quality of performance reporting on development results.

Scope and Approach

Our audit continued to focus on CIDA's accountability to Parliament for managing for results. We reviewed the way CIDA plans and manages its bilateral programs and projects, and measures and reports their results.

We used a combined country- and project-based approach to conduct this audit. CIDA identified four country programs: Bolivia, Estonia, Senegal and Vietnam. CIDA believes that these best demonstrate the improvements gained by implementing results-based management in the bilateral development aid program. We added Bangladesh to provide a basis for comparison with our 1993 audit. In each of the identified countries, we selected a sample of projects for audit.

We conducted field work at Canadian missions and project sites in the selected countries. It included review of on-site documentation, as well as consultations with stakeholders such as Canadian and local executing agents, with host country officials and with representatives from other international donor organizations.

At CIDA's headquarters, we examined the process and the underlying reasons for selecting country programs and projects and the process for measuring and reporting their results. We also assessed the extent to which the key concerns raised in our 1993 Report had been satisfactorily addressed.

Our work did not extend to comparing CIDA's performance with that of other organizations providing bilateral aid.

Criteria

The criteria used at the country program level and at the project level were based on criteria proposed in our 1996 Report:

Country level

Results Achievement

• Well-defined objectives that can be reasonably achieved are actively pursued.

Risk Management

Risks associated with the program and related activities are assessed and managed.

Performance Measurement

- Relevant information on performance is obtained and used.
- The extent to which programs and activities are meeting the Agency's performance expectations is evaluated and understood.

Project level

Results Achievement

- Well-defined objectives that can be reasonably achieved are actively pursued.
- Projects are followed up to determine whether project partners are achieving (or are likely to achieve) planned results.

Risk Management

Risks associated with the projects and related activities are assessed and managed.

Sustainability

• There is follow-up to assess whether project results are likely to provide sustainable benefits after CIDA's direct funding comes to an end.

Performance Management

- Relevant information on performance is obtained and used.
- The extent to which projects and activities are meeting performance expectations is evaluated and understood.
- Timely action is taken to improve project performance.
- Periodic reports on the potential for results and corrective action taken where appropriate are presented to CIDA's senior management.
- CIDA is providing assurance that money has not been expended for purposes other than those for which it was appropriated.

Institutional level

Learning Organization

• CIDA has created an action-oriented organizational environment that promotes learning by doing, an innovative style of management and an openness to differing viewpoints.

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Report of the Auditor General of Canada to the House of Commons – 1998 Table of Contents

Volume 1 – April 1998

Chapter

	Foreword and Main Points
1	Expenditure and Work Force Reductions in the Public Service
2	Expenditure and Work Force Reductions in Selected Departments
3	National Defence - Equipping and Modernizing the Canadian Forces
4	National Defence – Buying Major Capital Equipment
5	Revenue Canada, Department of Finance and Department of Justice – Interdepartmental Administration of the Income Tax System
6	Population Aging and Information for Parliament: Understanding the Choices
7	Federal Laboratories for Human and Animal Health Building Project
8	Department of Finance – Effectiveness Measurement and Reporting
9	Reporting Government Financial Results: The Importance of Complying with Objective Accounting Standards

Volume 2 – September 1998

Chapter

	Foreword and Main Points
10	Canadian Human Rights Commission Human Rights Tribunal Panel
11	Agriculture and Agri-Food Canada – Cash Advance Program
12	Creation of the Canadian Food Inspection Agency
13	National Energy Board
14	Indian and Northern Affairs Canada - Comprehensive Land Claims
15	Promoting Integrity in Revenue Canada
16	Management of the Social Insurance Number
17	Patented Medicine Prices Review Board
18	The Financial Information Strategy: A Key Ingredient in Getting Government Right

Report of the Auditor General of Canada to the House of Commons – 1998 Table of Contents (cont'd)

Volume 3 – December 1998

6.13			
Cl	าล		rei
		r.	

	Matters of Special Importance – 1998 Foreword and Main Points
19	Electronic Commerce: Conducting Government Business via the Internet
20	Preparedness for Year 2000: Government-Wide Mission-Critical Systems
21	Canadian International Development Agency – Geographic Programs
22	The Federal Science and Technology Strategy: A Review of Progress
23	Veterans Affairs Canada – Disability Pensions
24	Revenue Canada – International Tax Directorate: Human Resource Management
25	Transport Canada – Investments in Highways
26	Contracting for Professional Services: Selected Sole-Source Contracts
27	Grants and Contributions: Selected Programs in Industry Canada and Department of Canadian Heritage
28 29	Other Observations and Appendices Follow-up of Recommendations in Previous Reports Other Audit Observations

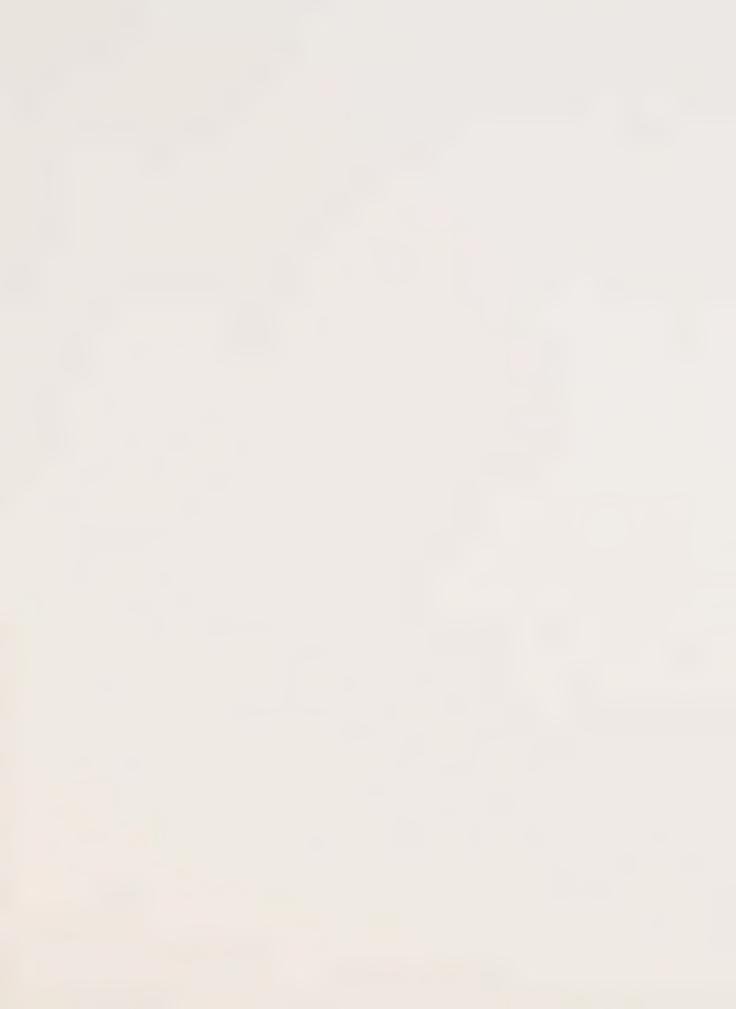
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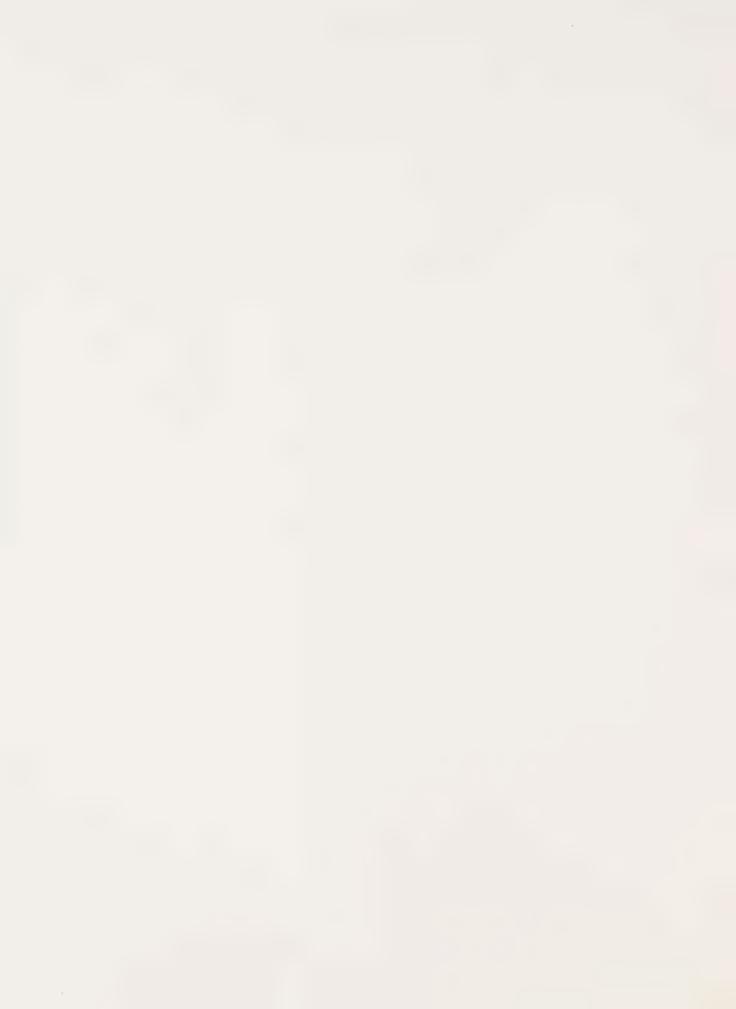
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> Report of the Auditor General of Canada to the House of Commons

Chapter 22
The Federal Science and Technology Strategy:
A Review of Progress

December 1998

Report of the Auditor General of Canada to the House of Commons

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A Review of Progress

This December 1998 Report comprises 11 chapters, including "Matters of Special Importance", as well as a Foreword and the Main Points from the April, September and December 1998 Report chapters. In order to better meet clients' needs, the Report is available in a variety of formats. If you wish to obtain another format or other material, the Table of Contents and the order form are found at the end of this chapter.

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Chapter 22

The Federal Science and Technology Strategy

A Review of Progress

The follow-up work was conducted in accordance with the legislative mandate, policies and practices of the Office of the Auditor General. These policies and practices embrace the standards recommended by the Public Sector Accounting and Auditing Board (PSAAB) of the Canadian Institute of Chartered Accountants.

Table of Contents

		Page
Main 1	Points	22–5
Introd	uction	22-7
	Previous audit findings Focus of the follow-up	22–7 22–8
Obser	vations	22–9
	Elements of the management regime are in place Committees have not reached full potential How committees will work together is unclear Need to move beyond co-ordination to collective action Review of priorities is incomplete Intergovernmental co-operation and co-ordination have not taken the promised new direction The government has started to report on its performance Implementation plans for the Strategy are still needed rogress in Departments Varies Mission-driven, results-based research Scientific excellence Partnerships	22-9 22-10 22-11 22-12 22-13 22-13 22-17 22-17 22-18 22-19 22-19 22-21 22-22
Concl	usion	22–23
Case S	Study - Management of Federal Activities in Climate Change Science	22-14
About	the Follow-up	22-25
Exhib	its	
22.1 22.2 22.3 22.4	Management Regime Intended for Federal Science and Technology Common Framework of Operating Principles Science and Technology Activities of Four Departments Science and Technology Spending on Research and Development and Related Scientific	22-10 22-19 22-20 22-21
	Activities by Four Departments in Selected Years	





The Federal Science and Technology Strategy

A Review of Progress

Main Points

- 22.1 It has been nearly three years since the government released *Science and Technology for the New Century* A Federal Strategy. The Strategy outlined three goals to which science and technology (S&T) resources were to be directed. It recognized the need for better management of S&T activities and provided a set of principles to improve their management in departments and agencies.
- 22.2 In this follow-up to our 1994 audit of the federal S&T effort, we found that progress in establishing the elements required to improve its management has, overall, been slow. The government has not acted fully on some of the commitments it made in the Strategy. As a result, the management regime set up to oversee the federal S&T effort is not yet working as intended by the government that is, ensuring that priorities are clear, that activities are co-ordinated, and that performance is reported on fully.
- 22.3 In the departments we examined, progress in acting on the Strategy's seven operating principles has varied considerably. However, even the less advanced departments have moved in the direction desired by the government. More remains to be done, and our follow-up identified three areas that require special attention: mission-driven, results-based research; scientific excellence; and the use of partnerships.
- 22.4 Some results of the Strategy are now emerging, and we believe it may be time for the government to clearly set out what remains to be done what is next on the agenda. Along with sufficient leadership and ongoing parliamentary oversight, this would help to ensure that the current Strategy does not become, like similar efforts over the last 30 years, one more missed opportunity.



Introduction

- 22.5 It is well recognized that science and technology contribute to the country's ability to generate sustainable employment and economic growth. But science and technology go beyond contributing to economic growth; they support our quality of life.
- 22.6 The federal government invests significant resources in science and technology (S&T) activities. In 1997–98, departments and agencies spent an estimated \$5.45 billion on S&T. The federal government also encourages research and development in the private sector through tax incentives that represent more than \$1 billion annually. Those amounts do not include funding for the Canada Foundation for Innovation, which in 1997 received a federal grant of \$800 million to provide new infrastructure support to university and medical research and development.
- 22.7 Given the importance of S&T to our country, and the substantial investment involved, the proper management of S&T activities is of paramount importance. In our view, there are two fundamental questions to ask about the government's S&T performance:
- To what extent has the government clearly established what it wants to achieve with its S&T activities?
- To what extent is it managing S&T activities in a way that maximizes value for money?

Previous audit findings

22.8 In an attempt to answer those two questions, in 1994 we conducted a sectoral audit of federal science and technology activities. The results were presented in four interrelated chapters of our 1994 Report: Overall Management of Federal Science and Technology Activities, Management of Departmental Science and

Technology Activities, The Management of Scientific Personnel in Federal Research Establishments, and Income Tax Incentives for Research and Development.

- 22.9 In its 1994 Budget several months before the publication of those chapters, the government had announced a fundamental review of its S&T effort aimed at giving Canadians a federal strategy with "real priorities, real direction, and a real review of results".
- 22.10 Our 1994 report documented the failure of previous such efforts in the last 30 years. Indeed, we said that there had been much activity but few results. In our view, some of this lack of progress could be attributed to a lack of overall government-wide leadership, direction and accountability. Accordingly, we presented lessons learned from past efforts for the government to consider in its announced review.
- **22.11** In brief, our observations were that the federal government needed to provide:
- clear priorities and clear direction for its S&T activities:
- clear performance expectations and action plans;
- effective co-ordination and oversight;
- leadership that transcends departmental mandates; and
- better information for Parliament and the public on S&T activities and performance.
- 22.12 In 1995, the government launched Program Review, a government-wide initiative aimed at rethinking and realigning government programs in light of fiscal restraints. Program Review had a major impact on some science and technology departments. For some departments it also constituted a priority-setting exercise involving senior officials and ministers. During the same period, the government started to revise its

In 1997–98, departments and agencies spent an estimated \$5.45 billion on science and technology (S&T) activities. The 1996 S&T Strategy addressed certain government-wide concerns we had raised in our 1994 Report.

In our view, the Strategy left some "unfinished" business. Expenditure Management System (EMS) to improve the information provided to Parliament on expenditure management, planning and performance. An integral element of the EMS was the Treasury Board's requirement that departmental Business Plans be submitted to it for review.

- **22.13** In March 1996, the government published *Science and Technology for the New Century a Federal Strategy* (the Strategy). Through the Strategy, the government set out three goals for the federal investment in S&T:
- to ensure that Canada is among the best in the world in applying and commercializing S&T for sustainable job creation and economic growth;
- to ensure that Canada applies S&T to improve the quality of life for our citizens through the creation of fulfilling jobs and through the most effective social, environmental and health care programs in the world; and
- to create in Canada world centres of excellence in scientific discovery, to build a broad base of scientific enquiry, to foster Canadian participation in all major fields of science and technology, and to ensure that new knowledge can be acquired and disseminated widely from Canadian sources and from around the world.
- 22.14 The Strategy provided direction to departments and agencies and set out the elements of a federal governance system for their S&T activities through which to achieve these goals. The Strategy document was accompanied by action plans from departments and agencies involved in S&T. The government also released its Framework for the Human Resources Management of Federal Science and Technology Community.
- 22.15 In a follow-up chapter published in September 1996, we welcomed the S&T Strategy, noting that it addressed

certain government-wide concerns we had raised in our 1994 Report. We found that science-based departments had made plans to focus their science and technology activities and set priorities. The Strategy provided direction to departments and agencies in the form of operating principles for conducting many aspects of their science and technology activities. We observed that departments and agencies had recognized the advantages of working more closely together. Various initiatives were also under way to improve the assessment of results and impacts of federal science and technology activities, and to report on the growth of Canada's knowledge-based economy.

22.16 However, in our view the Strategy had left some "unfinished" business. For example, even though a mechanism had been established to make recommendations to Cabinet on S&T priorities, government-wide priorities had not been enunciated. We noted the critical need for the government to monitor the Strategy's implementation and to devote considerable attention to establishing results-oriented, time-phased implementation plans. This would help ensure that the direction provided to departments and agencies would become an integral part of day-to-day management in science-based organizations. We noted that accomplishing this would require leadership and perseverance at all levels of government. We also said that parliamentary oversight was key to ensuring that it happened.

Focus of the follow-up

22.17 Given the importance of the Strategy and the fact that two years have passed since our last follow-up, we believe the time is right to build on our earlier work with a review of the progress made in implementing the S&T Strategy. This follow-up chapter provides our assessment of progress to date in:

- meeting the Strategy commitments to establish new institutions and mechanisms for management; and
- acting on the operating principles set out for departments by the government.
- 22.18 We looked at the progress made by four departments with significant direct involvement in S&T: Agriculture and Agri-Food Canada, Fisheries and Oceans, Environment Canada and Natural Resources Canada. As a case study (see page 22–14), we also assessed the management of climate change science activities looking specifically at the extent to which it manifests the principal commitments of the Strategy. Given the limited sample size, the results discussed in this chapter should not be generalized to all science-based departments and agencies.
- **22.19** Details on the objectives, scope and approach of our work are included in **About the Follow-up** at the end of this chapter.

Observations

Important Challenges Still Lie Ahead

- 22.20 In the course of its science and technology review, the federal government received a number of suggestions for changing the structure and processes of its decision making on science and technology. The government intended to respond by creating and reorganizing institutions and mechanisms to improve the governance of S&T.
- 22.21 In the Strategy, the government recognized that to be a more effective partner in the country's innovation system, it needed to get its own house in order. It concluded that achieving greater coherence while preserving flexibility, responsiveness and ministerial accountability would require a more

rigorous collective review of priorities and greater co-ordination of activities.

- 22.22 Accordingly, the Cabinet Committee on Economic Union (CCEU) was mandated to annually review the performance of federal S&T activities and recommend priorities to Cabinet. To facilitate its review of S&T priorities, the CCEU would receive advice from a new body, the Advisory Council on Science and Technology, which replaced the National Advisory Board on Science and Technology.
- 22.23 The Strategy also stated that improving top-level advisory and decision-making structures was not enough to ensure that the federal government's substantial investment in S&T would yield better results. The government recognized that to improve the management of its investment, it needed more co-ordination of S&T activities among federal agencies and collaboration on major horizontal issues — those that cut across departmental and agency boundaries. The Minister of Industry would lead the co-ordination of S&T policy and strategies across the federal government. This effort would be supported by another new body, the Council of Science and Technology Advisors.
- **22.24** The intended interactions among the new and renewed institutions are presented in Exhibit 22.1.
- **22.25** The Strategy contained other specific commitments:
- development of new measures to increase the accountability of individual departments and agencies for the management of their S&T;
- implementation of a Framework for the Human Resources Management of the Federal S&T Community;
- creation of a new S&T information system; and
- new direction for intergovernmental co-ordination and co-operation.

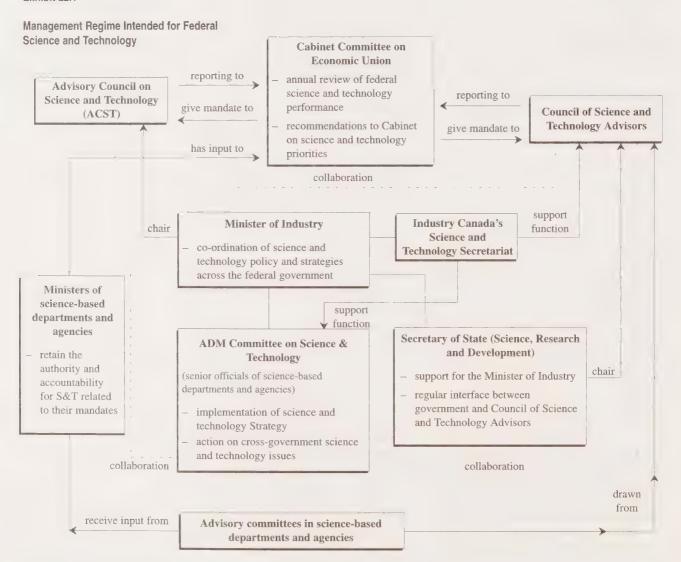
The government recognized that to be a more effective partner in the country's innovation system, it needed to get its own house in order.

Two years after our previous 22.26 follow-up, we expected to find the new institutions and mechanisms in place and to see indications that they would soon be working well. Overall, however, we found slow progress in establishing the new management system, and some commitments have not been addressed adequately. As a result, the system is not yet working as the government intended — that is, ensuring that the federal S&T management system has clear priorities, co-ordinated efforts, and full reporting on performance. In this section, we describe our specific concerns about what has been done so far, and indicate the remaining challenges that must be met if the system is to work well.

Elements of the management regime are in place

22.27 The Advisory Council on Science and Technology was created in July 1996. Comprising 11 members, it is chaired by the Minister of Industry and supported by a secretariat in Industry Canada. Its mandate is "to review the nation's performance in S&T, identify emerging issues and advise on a forward-looking agenda". Initially, it intended to work on

Exhibit 22.1



three specific issues: human resource challenges as Canada moves to become a more knowledge-intensive society; the potential for commercializing Canadian research; and development of a more coherent and publicly accepted vision for the future of science and technology in Canada. The Council was to also advise the Cabinet Committee on Economic Union (CCEU) on priorities for science and technology. Its first meeting with the CCEU (and the only one to date) was in December 1997.

22.28 The Council of Science and Technology Advisors was created in May 1998 and first met in October 1998. Its 22 members are drawn mostly from the advisory committees of science-based departments and agencies. The Council is chaired by the Secretary of State for Science, Research and Development, and will report to the CCEU. Supported by an Industry Canada secretariat, the Committee will look at S&T issues internal to government that require government-wide strategic attention. The CCEU has asked the Council to begin looking at the federal government's roles in conducting S&T and at its ability to fulfil those roles; and to develop a set of guidelines on the use of scientific advice in government decision making.

Committees have not reached full potential

22.29 Although the Strategy in 1996 indicated the need for more external support for the co-ordination of S&T activities, it was not until May 1998 that the Council of Science and Technology Advisors was created. We are concerned that by the time it eventually makes recommendations, opportunities to address important horizontal issues will have been significantly delayed. For example, as already noted, the Council has been mandated by the CCEU to look at the government's roles in conducting S&T activities and at its ability to fulfil those roles. In our opinion, this is an issue that

needs to be tackled as soon as possible because of its impact on the way science-based departments and agencies conduct their business.

- 22.30 The Assistant Deputy Minister Committee on Science and Technology (ADM Committee) is composed of senior officials at the assistant deputy minister level from science-based departments and agencies. It provides the government with the capacity to deliver on its collective responsibility for policy co-ordination and management of federal S&T. In 1996, we asked what specific role the Committee would play in the implementation of the Strategy. In 1997, the Committee's terms of reference set out its revised mandate:
- to implement the cross-government commitments made in the Strategy;
- to develop proposals and advice to the government on key horizontal S&T policy issues; and
- to provide a forum for interdepartmental consultation on S&T policy and program directions, sharing of information, and co-ordination of efforts and initiatives across the federal S&T system.

In addition, the new mandate given to the Council of Science and Technology Advisors calls for close collaboration with the ADM Committee.

- 22.31 Although it does not have a direct link to Cabinet, the ADM Committee could play an important role in the management system. Under the Strategy, however, it has no formal responsibilities for co-ordination a crucial gap, in particular since the Council of Science and Technology Advisors was not created until May 1998.
- 22.32 Given its mandate, we expected that the ADM Committee would provide a forum for discussing issues of common concern as well as a vehicle for getting things done. We found that the Committee has discussed many issues and created

Overall, we found slow progress in establishing the new management system, and some commitments have not been addressed adequately.

The government needs to clarify what it expects the Assistant Deputy Ministers Committee to accomplish.

To make the bodies involved work well together, three ingredients are essential: a work plan for each of them, regular interaction and an ongoing exchange of information.

working groups to deal with them but few initiatives of these working groups have reached the implementation stage. One notable exception was the Committee input to the publication in 1997 of the first annual report on S&T activities.

22.33 We found that some issues have been "ongoing" for a long time. For example, a framework for international S&T was to be established to meet one of the Strategy commitments: the development of explicit plans to promote international S&T collaboration for the benefit of Canadian firms. The final framework was to be completed in March 1997 but, more than a year and a half later, it is still not finalized. Revising the Intellectual Property Policy was another commitment in the Strategy. A second round of consultations is now under way but, after two years, nothing has been finalized.

22.34 In our opinion, since the ADM Committee is an essential part of an effective co-ordination system, the government needs to clarify what it expects the Committee to accomplish. Beyond this, to be effective the Committee requires strong, consistent leadership and secretariat support. Members of the ADM Committee need to consider ways to ensure that it fulfils its potential.

How committees will work together is unclear

22.35 We had expected the government to ensure that the respective mandates and work plans of committees were integrated so that the S&T management system would operate as effectively as possible.

22.36 While the Council of Science and Technology Advisors was to provide an external perspective on internal federal management of S&T, the Advisory Council on Science and Technology (ACST) would be expected to provide its views on broader issues, beyond internal

management — for example, science and technology and youth. However, it would be reasonable to assume that the two bodies would complement each other's work on specific issues.

22.37 Since it is important that these two bodies work well together and with the ADM Committee, we would expect to see clearly how they would interact. In our view, three ingredients are essential: a work plan for each of them, regular interaction and an ongoing exchange of information.

A work plan is essential to identify what needs to be done, when and by whom. It would also help in tracking progress on issues and in holding officials accountable for results. The ACST has identified certain issues to address. The recent creation of two expert panels on skills in knowledge-intensive industrial sectors and the commercialization of university research provides a better idea of how two of these issues will be dealt with. However, there is no further indication of how and whether the ACST intends to work on the third issue identified (the development of a publicly accepted vision for the future of S&T in Canada) or whether any other issues will be looked at while the panels produce their reports. The Council of Science and Technology Advisors will also need to set out its goals and a work plan. At the end of our review, we were informed that a work plan was being drafted.

22.39 In February 1997, the ADM Committee decided that it needed a work plan to help implement the government-wide commitments made in the S&T Strategy. The work plan was to be based on the deliverables indicated in the Strategy. The ADM Committee also believed that it needed to prioritize the deliverables and identify those it would address over the next year. However, officials have informed us that the ADM Committee never produced such a work plan.

22.40 We found some links among the three bodies. For example, the ADM Committee was informed regularly of the work done by the ACST. The terms of reference for the Council of Science and Technology Advisors state that it will work in collaboration with the ADM Committee on horizontal issues; they are also supposed to meet together at least once a year. As well, a Deputy Chair of the ACST (to be appointed) will serve as an ex-officio member of the Council of Science and Technology Advisors. However, since this Council has just been created, we cannot comment on how well integrated their respective work plans will be.

22.41 In our view, Industry Canada has a key role to play in making all of this happen. We encourage it to ensure that appropriate linkages exist among the three bodies.

Need to move beyond co-ordination to collective action

22.42 In our 1996 follow-up report we said that the government's science and technology review had made science-based organizations more aware that they needed closer ties and improved relationships to tackle certain issues successfully. New initiatives mentioned at that time are now well under way, like the Federal Partners in Technology Transfer that involves 14 departments. Another is the Memorandum of Understanding (MOU) to foster collaboration and co-ordination in S&T for sustainable development, signed by all four departments we examined. It was recently renewed and now includes Health Canada. Other initiatives have followed.

22.43 However, more co-ordination does not necessarily lead to better management of horizontal issues. In our view, effective management of any important horizontal issue needs to include an action plan that orchestrates the relevant activities of departments and

other players involved to achieve agreed-upon objectives; an accountability framework that transcends departmental jurisdictions; and a joint reporting mechanism to track results in relation to objectives. While we did not examine co-ordination among departments per se, we looked at the management of climate change science to see whether there was evidence of good co-ordination and collaboration in practice.

22.44 While the MOU in S&T has been an important step in co-ordinating science efforts in climate change, it does not fulfil our expectation for joint goal setting and research planning and a common management framework. Nevertheless, there are signs that the federal government is moving beyond co-ordination to collective action, with the adoption of a new management framework. The case study on page 22-14 contains our findings. It appears that the renewed National Biotechnology Strategy is also adopting a promising approach, although it was not part of our review. We hope that those experiences will lay a new foundation for the management of other horizontal issues.

Review of priorities is incomplete

22.45 As noted in Minding Our Future, the first annual report on federal S&T activities, "The Government outlined its priorities in the Speech from the Throne. Investing in knowledge and creativity and developing the workforce for the 21st century are key aspects of the efforts to build a stronger Canada. These objectives will also shape the federal S&T effort in the coming years." Those general objectives, along with the goals set out in the Strategy (sustainable job creation and economic growth; improved quality of life; and advancement of knowledge), have been translated into spending decisions over the past two years.

22.46 The government has made explicit choices in directing new S&T funds to non-departmental entities like the

More co-ordination does not necessarily lead to better management of horizontal issues.

(continued on page 22-17)

Management of Federal Activities in Climate Change Science

The purpose of this case study was to determine whether the federal government's management of its climate change science activities reflects the key commitments and principles of *Science and Technology for the New Century — A Federal Strategy.* In other words, we wanted to know whether the federal government was putting the Strategy into practice in this area.

The management of climate change science to this point does not reflect fully the intent of the commitments made in the Strategy. However, efforts are under way to better manage climate change science. We hope that these efforts will lay a new foundation for the management of other horizontal issues.



Introduction

Canadians have been participating actively for many years in researching and monitoring global climate change. In conjunction with a number of stakeholders, federal government departments have prepared several reports stating that the effects of climate change on Canada are potentially serious. They note that the burning of fossil fuels, population growth, and changes in land use such as deforestation are producing global climate change, and that Canada is vulnerable to this change. Even with reductions in greenhouse gas emissions, changes in climate will continue and Canadians will have to adapt.

Effects are expected on every region and sector, particularly agriculture, forestry and fisheries. Significant direct adverse effects could include changes in precipitation patterns leading to drier summers in the Prairies and central Canada, an increase in forest fires and insect infestations, changes in migration patterns of fish stocks, coastal flooding from rising sea levels, extensive thawing of permafrost in the north and more frequent severe weather events. While many of the effects of climate change are expected to be negative, there could be some potentially positive effects in some parts of Canada, such as milder winters and a longer growing season.

Because climate change is a global problem, research on climate change requires international collaboration to generate scientific

data on a global basis. A large component of Canadian research is linked to one or more of the three major programs developed by the international research community to address specific questions related to global change: the World Climate Research Program, the International Geosphere-Biosphere Program, and the International Human Dimensions Program. These programs have identified many key scientific problems that need to be addressed on a global scale, and have developed scientific rationale and plans to resolve these questions. This is the context in which the planning and implementation of Canadian research on climate change takes place.

The Canadian research effort involves many players: the federal government, the provincial and territorial governments, the academic community, the private sector and community interest groups. The Canadian Climate Program Board, an advisory body composed of individuals from the federal and provincial governments, the academic community, the private sector and non-governmental organizations, co-ordinates climate-related activities in Canada. It provides advice and information on climate change and variability by communicating with a wide audience, including individuals and organizations involved in activities that contribute to the Canadian effort.

What departments are doing

Several federal departments are involved in research to better understand aspects of the

climate system and determine the potential and measurable impacts of climate change on ecosystems. Our expectations for interdepartmental collaboration flow directly from the Strategy and are discussed under three broad areas: common goals, shared work and joint performance review and reporting.

Common goals. Given the horizontal, integrated nature of climate change science, we expected that the efforts of individual departments would be guided by a common management framework. Such a framework would set out the objectives for a comprehensive federal effort that would include participation by relevant players outside the federal government. Determining research objectives in a global research endeavour such as climate change involves answering three questions: What knowledge do we need? Should Canada develop this knowledge? If so, who in Canada can do it?

The introduction in 1995 of the Memorandum of Understanding (MOU) on S&T for sustainable development among the four natural resource departments led to the creation of a working group on Climate Change and Variability. This working group has been identifying the current state of knowledge, the research questions that need to be addressed, and priorities for action by the four resource departments. In 1998, Health Canada was added to this MOU.

While the MOU has been an important step in co-ordinating science efforts, it does not fulfil

our expectation for joint goal-setting and research planning and a common management framework.

In our view, it is important that the federal government formally identify corporate goals and plans for research into climate change through a comprehensive approach involving all relevant federal sectors and external stakeholders. Moreover, given the global nature of the issue and the need to link the Canadian effort with the international one, the goals and plans should identify the appropriate niches for Canadian contributions to the international research effort. Without common goals and plans, climate change science may simply be a collection of individual departmental programs or projects in the same broad area of scientific inquiry, rather than a deliberately orchestrated set of research activities aimed at resolving specific issues or problems.

Shared work. The Strategy identifies the need to improve interdepartmental collaboration and co-operation in S&T activities in order to optimize the use of resources. For the management of climate change science, we expected to find an overarching structure that would link the research activities of various departments required to achieve common goals. That is, it would identify the research to be done and by whom, and by when. It would also estimate the cost of doing the research and identify the source of funding.

We did not find an overarching structure to manage the research and the resource requirements. However, the existing mechanisms do enable the principal departments to work together and with partners outside the federal government. For example, Environment Canada has the Canadian Climate Research Network, which has mobilized the academic community across Canada and helped to co-ordinate aspects of government/university efforts. Natural Resources Canada has the Climate Change

Network in the Canadian Forest Service and the Program of Energy Research and Development in the Energy Sector. In addition, the MOU on S&T for sustainable development has facilitated joint activities.

In our opinion, while these mechanisms go partway toward encouraging collaboration among departments and with external partners. in the absence of a comprehensive federal approach to the science of climate change based on common goals and clear expected results there could be gaps, duplication and wasted efforts in the research that is undertaken. To fulfil the spirit of the Strategy commitment on interdepartmental collaboration, we expected the government to adopt an approach to the science of climate change that would transcend individual departmental programs. In our view, some of the research efforts that are needed may not fit neatly into existing programs; all the necessary players may not be involved; and there is no clear mechanism for responding to new resource requirements.

Joint performance review and reporting.
Performance review and reporting are
important principles of the Strategy. Every
department and the federal government as a
whole are accountable for the research results
achieved and for reporting on those results.

Performance review and reporting are essential for two reasons. First, they allow the government to adjust its goals and research plans in the light of new information and to deploy the resources required to achieve the goals. Second, they provide the basis for parliamentarians to assess whether the government's expenditures on science and technology reflect Canadian needs and opportunities, and to hold the government accountable for results. We expected that the government would develop means to review and report on the results of the federal research effort into climate change science

either collectively, or separately in a way that would make clear the full extent of the federal effort.

We found that climate change research is reported on a departmental basis, in order to align reporting with financial accountability. The existing departmental reporting mechanisms may limit the ability of the federal government to review and report on the joint federal efforts in climate change research, as well as Parliament's ability to undertake proper oversight. An alternative approach might include reporting fully in the Performance Report of a lead department, and in a summary way in the others'.

We believe that better joint performance review and reporting as part of a government-wide process that involves stated goals and research plans and shared work would improve the management of climate change and accountability for its results.

What departments are planning

As part of meeting Canada's Kyoto commitments to reduce greenhouse gas emissions, the Climate Change Action Fund was announced in the 1998 federal Budget. It has been allocated \$150 million over three years, with an objective to leverage further funds from government and private sector organizations. It operates in four areas: foundation building, public education and outreach, science and adaptation, and technology.



The federal government is currently developing business plans for actions to be taken under the Climate Change Action Fund. We reviewed the proposed business plan for one of the four areas, science and adaptation, and found that it appears to address many of the weaknesses we have discussed in the government's approach to date.

The business plan identifies common objectives and goals toward improving knowledge of climate change science. It builds on the planning activities that have taken place to date, such as the outputs from the MOU working group on climate change and variability, to identify gaps in the knowledge of both science and adaptation. It provides a general work plan that identifies the science and adaptation activities to be emphasized. A detailed work plan is being developed that will elaborate on specific deliverables, funding and timing.

A key feature of the business plan is the proposed management framework to deliver the goals and work plans we have noted (see the exhibit below). This framework will transcend departmental jurisdictions.

In our view, the proposed structure demonstrates some of the key attributes of an effective management framework for a major initiative involving many stakeholders:

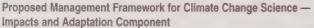
- ministerial commitment;
- an open, transparent process of agenda setting and developing work/action plans;
- a supportive and funded secretariat to provide the necessary linkages across a complex set of structures;
- a defined schedule of outputs, provided to ministers and against which performance can be measured; and
- a structure to respond to requirements for resource allocation or reallocation.

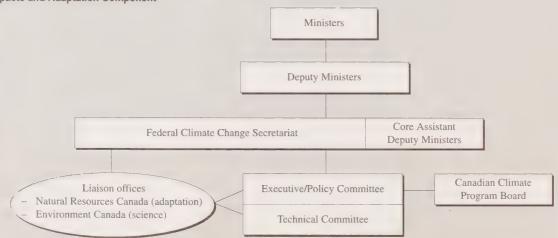
Officials informed us that efforts are now under way to develop collective frameworks of evaluation and accountability to measure and report on results.

Conclusion

Our review of the approach taken thus far in the management of climate change science confirms that addressing horizontal S&T issues in a departmental management regime is an ongoing challenge. The mechanisms that are currently in place enable the participating departments to address research efforts within their existing departmental structures and programs. In our opinion, the management of climate change science to this point does not reflect fully the intent of the commitments made in the Strategy.

The government has recognized that a more concerted approach is needed to optimize resources and co-ordinate research at the federal level and across all sectors, especially in view of its Kyoto commitments. In our opinion, the proposed business plan dealing with science, impacts and adaptation is a better reflection of the principles outlined in the Strategy. We believe that the proposed approach holds the promise of improved management of this horizontal issue.





Source: Climate Change Action Fund, Draft Business Plan: Science, Impacts and Adaptation

(continued from page 22–13)

Canada Foundation for Innovation and the Canadian Network for the Advancement of Research, Industry and Education (CANARIE Inc.). This may reflect a more general approach by government on how it sees it can best achieve its stated objectives.

22.47 These and other spending decisions implicitly represent priorities of the government. However, in the Strategy, the government stated that it needed to conduct a more rigorous review of priorities. We would have expected that, at some point, the government would indicate the results of its rigorous review. This has not yet happened. The government needs to consider how best to communicate the results of this review of priorities to Parliament and other interested bodies.

Intergovernmental co-operation and co-ordination have not taken the promised new direction

22.48 The Strategy stated, "An effective governance system for S&T in Canada demands closer co-operation and co-ordination of efforts among governments." The government recognized that past high-level initiatives, although well-intentioned, had not resulted in much discernible progress. New approaches were needed to deal with specific issues like overlap and duplication and the sharing of information.

22.49 The federal government's commitments to intergovernmental co-operation and co-ordination are clearly listed in the Strategy. Where appropriate, new institutions and instruments were to be developed to facilitate improved intergovernmental relations, whether through regional or bilateral arrangements. To help shape this process, the government was to initiate results-oriented discussions with provincial and territorial governments.

Those commitments established our expectations. Given the importance it placed on enhancing co-operation and co-ordination with other levels of government, we expected that the federal government would make this a high priority on its agenda.

Since the spring of 1998, Industry Canada has been co-ordinating a network of federal-provincial officials to exchange information on science and technology. The network, led by Industry Canada, has completed an analysis of issues raised by provincial premiers and is preparing an inventory of initiatives taken on those issues. Efforts are now being made to develop an electronic channel of communication. Federal, provincial and territorial deputy ministers of industry met in September 1998 to discuss ways of improving the co-ordination of S&T activities. While we recognize that the development of new institutions and instruments takes time, to date there is little evidence of tangible results.

The government has started to report on its performance

In 1996, we reiterated the need for consolidated information on the performance of departments and agencies on government-wide and horizontal issues, and on Canada's performance overall in science and technology. In particular, this meant that government-wide performance expectations were needed, along with performance monitoring and reporting to Parliament. In December 1997, the government published its first annual report on S&T activities, Minding Our Future. That document states, "This report, the first in a series, provides an overview of the federal science and technology investment, reviews the federal government's performance against the goals outlined in the Strategy, and identifies some challenges that must be overcome in the transition to a knowledge society."

The government needs to consider how best to communicate the results of its review of S&T priorities.

In December 1997, the government published its first annual report on S&T activities, *Minding Our Future*.

22.52 We believe that the report constitutes a step in the right direction. However, we also found areas for significant improvement. The report needs to focus more on results. If the government wants to review its performance against the goals outlined in the Strategy, it needs to set meaningful performance expectations for each of them. Otherwise, it will be difficult to assess the extent to which the activities contribute to achieving the three goals of the Strategy. For example, the report highlights the various activities undertaken by departments that contribute to the goal "improved quality of life", but does not indicate whether they are sufficient or what remains to be done.

22.53 The report also provides little consolidated information on the performance of departments and agencies in horizontal areas. This kind of information is important to an understanding of spending priorities and as an input for discussions on accountability for priority setting. Although some progress has been made, we believe that parliamentarians do not have a firm basis for assessing whether the government's expenditures on S&T reflect Canadian needs and opportunities, and for holding the government accountable for results.

We believe that the report constitutes a step in the right direction. However, we also found areas for significant improvement.

We expect that work undertaken by Statistics Canada will help to provide more information on the relationship between government involvement in science, technology and innovation and the three goals outlined in the Strategy. In 1996, Industry Canada funded the Information System for Science and Technology Project, which is led by Statistics Canada. As part of this project, work has been undertaken to provide better information on where the government spends its S&T resources and, more important, what it gets in return. However, the latter issue will require that new indicators be developed and so,

building on the work done thus far, Statistics Canada has initiated a Framework for a Statistical Information System — a tool to develop performance indicators for science and technology activities. The Framework will provide information on outcomes of S&T activities. Statistics Canada officials told us they were preparing a strategic plan to implement the Framework. At the end of our review, funding for this initiative had yet to be finalized.

22.55 The annual report on S&T activities would be a good opportunity for the government to also lay out a forward-looking agenda. This could include the government's views on the work of the ACST and the Council of Science and Technology Advisors, as well as results-oriented implementation plans.

Implementation plans for the Strategy are still needed

22.56 In our 1996 follow-up report we said that implementation plans for various initiatives planned under the Strategy had yet to be prepared. We noted the need for implementation plans that would include key steps, schedules, milestones and resource requirements and that would clearly establish accountability for results. We were informed at the time by Industry Canada that the Minister of Industry would "table a plan for the implementation of a large part of the Strategy in the autumn of 1996". The Minister of Industry outlined implementation elements for the Strategy in October 1996. However, this outline was not supported by an appropriately detailed plan for carrying out the intended commitments. Our review suggests that there is still much to do, and that a plan for doing it would be beneficial. For example, the decision-making structure has been established, but how efforts will be co-ordinated needs to be planned and integrated with work on other outstanding commitments.

Progress in Departments Varies

22.57 As well as making several commitments at the government-wide level, the Strategy stated that a common framework of operating principles was needed to ensure that departments and agencies acted together to reach S&T goals. The principles and associated departmental commitments were also supposed to provide a basis for measuring and evaluating results under the new management regime outlined in the Strategy. The seven operating principles are presented in Exhibit 22.2.

22.58 Our follow-up on progress to date in implementing the operating principles covered a sample of four departments with significant science programs: Agriculture and Agri-Food Canada, Environment Canada, Fisheries and Oceans and Natural Resources Canada. Exhibit 22.3 provides a brief profile of the four departments and Exhibit 22.4 shows the financial resources they invest in science and technology activities.

22.59 The Strategy stated that the way departments and agencies applied its principles to their S&T activities would vary, depending on their roles and responsibilities. We took this into account in our follow-up. We also had to consider that the departments did not all start from the same point. Some had already been applying a number of the principles outlined in the Strategy when it was announced. Therefore, while we expected each department to be working to apply the operating principles, we did not expect that they would all be at the same stage of progress. However, the experience of the most advanced can help the others to catch up.

22.60 Although we found that progress in acting on the seven operating principles has varied considerably in the departments we examined, even the less advanced departments have moved in the direction desired by the government. Overall,

however, much more remains to be done, especially in reporting on performance.

22.61 Our findings suggest that Natural Resources Canada is well on its way to putting the principles of the Strategy into practice. Environment Canada and Agriculture and Agri-Food Canada are following behind, having made progress in some areas but not in others. Fisheries and Oceans, with the smallest expenditure on S&T of the four departments, has made progress on several principles but has yet to make significant progress on others.

22.62 Departments need to consider the merits of assessing their own progress to date on each of the commitments, and to set out plans for fully implementing the Strategy.

22.63 As the departments continue to address the Strategy commitments, in our view there are three departmental science management issues that need special attention: mission-driven, results-based research; scientific excellence; and partnerships.

Mission-driven, results-based research

22.64 In 1994 we recommended that departments set clearer research goals and priorities; focus on achieving results; better identify both potential uses for, and

Although progress in acting on the seven operating principles has varied considerably, even the less advanced departments have moved in the desired direction.

Exhibit 22.2

Common Framework of Operating Principles

- Increasing the effectiveness of federally supported research
- Capturing the benefits of partnerships
- Emphasizing preventive approaches and sustainable development
- Positioning Canada competitively within emerging international regulatory, standards and intellectual property regimes
- Building information networks: the infrastructure of the knowledge economy
- Extending science and technology linkages internationally
- Promoting a stronger science culture

Source: Science and Technology for the New Century — A Federal Strategy,
Government of Canada, March 1996

The Federal Science and Technology Strategy: A Review of Progress

users of, those results; and be held accountable for making these changes. The government accepted our recommendations.

- 22.65 The Strategy contained several specific commitments aimed at improving information on departmental plans and performance. Each science-based department and agency was to:
- set clear S&T targets and objectives, establish performance indicators based on outputs and develop evaluation frameworks;
- prepare an S&T plan describing and integrating the approach that it would take within its business plan; and

- prepare a report on its priorities, key initiatives, spending plans, management challenges and performance measures for S&T as part of what is now the annual Report on Plans and Priorities.
- 22.66 Our follow-up review found that none of the four departments had a distinct S&T plan. However, Environment Canada and Natural Resources Canada have made good efforts to describe in their business plans how science and technology activities contribute to the achievement of their policy objectives. We also noted that some sectors of Natural Resources Canada and the Research Branch at Agriculture and Agri-Food Canada have produced their own business plans.

Exhibit 22.3

Science and Technology Activities of Four Departments

Agriculture and Agri-Food Canada

Agriculture and Agri-Food Canada's mandate for research and development is "to improve the ongoing competitiveness of the Canadian food and agriculture sector through the development and transfer of innovative technologies". S&T activities are conducted through 18 research centres across the country. The research centres study soil properties, plant breeding, water use and management, energy, environmental quality, production development including animal crossbreeding, feedlot systems, genetics, processing, distribution, retailing and consumer concerns.

Environment Canada

Environment Canada undertakes programs to reduce risk to human health and the environment. It provides weather and environmental predictions and warnings, as well as emergency preparedness services to enhance safety from environmental hazards. Over 80 percent of the Department's expenditures are on S&T activities and more than two thirds of its employees are classified in S&T positions.

Fisheries and Oceans

Science in the Department involves the collection, analysis and interpretation of data in the fields of fisheries biology, aquaculture science and oceanography, fish habitat and the marine environment, and hydrography. Using this analysis and interpretation, science provides timely advice in support of management for the conservation, protection, and sustainable utilization of marine and aquatic resources, and for safe navigation.

Natural Resources Canada

NRCan conducts leading-edge research in science and technology in the area of forestry, energy, metals and minerals and earth science in order to create and transfer the ideas. knowledge and technologies that Canada needs to use its resources wisely and efficiently, to reduce costs, to protect the environment, and to help Canadians create new products and services. The science and technology activities of NRCan are particularly important for meeting the challenge of sustainable development. The integration of economic, social and environmental considerations into resource decision-making requires a base of sound scientific knowledge.

Source: Statistics Canada

22.67 We found considerable variation in the information on S&T activities presented in the four departments' Reports on Plans and Priorities. More specifically, Agriculture and Agri-Food Canada and Fisheries and Oceans provide far less information than Natural Resources Canada and Environment Canada on S&T priorities and targets, management challenges and performance measures. For example, Fisheries and Oceans provides little information on its science priorities and describes only in broad terms the kind of science it wants to undertake. In contrast, for each of its policy goals Natural Resources Canada provides information on its related science and technology activities.

Natural Resources Canada and Environment Canada have also taken a step forward, through S&T management frameworks, to improve the way they review, assess and report on their S&T activities. Natural Resources Canada's efforts in this area are well under way; it started to implement its framework more than two years ago. Environment Canada recently published its own framework and is developing supporting documents. We encourage the other two departments to consider the same approach.

22.69 We found that progress in performance measurement has been slow except at Natural Resources Canada and. to a lesser extent, Environment Canada. As part of implementing their sustainable development strategies, most departments have developed a framework of performance measures. The next step, for those departments that have not yet done so, is to consider the benefits of building on this work by developing performance measures specifically for science activities.

Scientific excellence

The Strategy stated that the merits of a particular activity would be best confirmed through external review an independent assessment of the design, performance and impact of a research effort. We found that all four departments have established or reorganized multidisciplinary advisory bodies. Most of them are expected to meet at least once or twice a year. Environment Canada has also created working groups drawn from its advisory committee members and employees to develop work plans for priority issues identified by the advisory committee. In our opinion, the next step would be to monitor management's action

Their S&T management frameworks represent a step by Natural Resources Canada and Environment Canada toward improving the way they review, assess and report on their S&T activities.

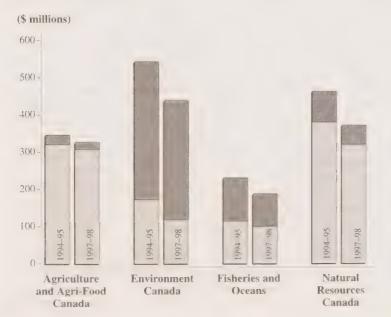


Exhibit 22.4

Science and Technology Spending on Research and Development and Related Scientific Activities by Four **Departments in Selected Years**

Related Scientific Activities



Research and Development



Source: Statistics Canada

on advisory committee recommendations. Some departments have already planned to do so.

22.71 While expert advice is sought for research planning, expert review of the science quality and impact of individual projects appears to be less common. As we did not audit the process of external review in the departments, we cannot comment on its effectiveness. However, we believe this is an important issue and will address it in our future work.

Partnerships

The Strategy asked

agencies to seek more

arrangements as a way

departments and

opportunities for

partnership

to increase

effectiveness.

All departments work with 22.72 partners to carry out many of their activities. The Strategy asked departments and agencies to seek more opportunities for partnership arrangements as a way to increase effectiveness. The Strategy commits them to develop strategies for promoting partnerships and S&T collaborative arrangements with industry, the provinces, universities and other stakeholders. Departments were also asked to develop strategies for increasing interdepartmental collaboration to combine resources and eliminate duplication.

22.73 In our view, this process would translate into clearly stated objectives and expected results to be pursued through external arrangements. We expected that departments would be able to describe and report the flow of financial or other resources to them, and between them and the external participants in the arrangements.

22.74 We found that progress has varied. Natural Resources Canada has made the most progress in setting out a strategy for partnership arrangements. In its public documents, it states specific objectives that it wants to achieve in partnership with all its stakeholders in order to meet each of its policy goals. Some of the sectors' business plans also state in more detail what they intend to achieve with their partners.

22.75 In 1997, Natural Resources
Canada published a Framework for
Revenue-Generation, External Funding
and Collaborative Activities. The
Framework is intended to, among other
things, provide a set of common principles
to guide decision making and
implementation of new arrangements
across the Department. Although the
systems for gathering the information on
its different revenue-generating activities
are not yet fully in place, it appears that
the Department will soon be in a position
to report on its performance in these areas.

22.76 We noted that Agriculture and Agri-Food Canada has created the Matching Investment Initiative, which has proved to be a successful way of increasing the level of its collaborative research with industry. From our review of documents and our discussions with officials of Agriculture and Agri-Food Canada, we found that although the Department clearly stresses the need to work with partners in pursuit of objectives, it makes few references to what needs to be done and with whom.

Partnerships are an integral aspect of Environment Canada's S&T programs. We found that it has made efforts to demonstrate how its partnerships will help it to meet its objectives. It has also identified areas where partnerships need to be built or strengthened. In neither case, however, did we find specific strategies in place. The Department informed us that management was to have discussed strategic issues related to S&T partnerships over the summer of 1998. The Department is also drafting a guideline document on S&T partnerships as part of its S&T Management Framework. In our opinion, the document needs to contain guidelines for reporting on the Department's external partnership arrangements.

22.78 Recognizing that it is not yet systematically looking for partnering opportunities, Fisheries and Oceans is developing a Partnering Strategy as part of

22-22

its Science 2005 Strategic Plan. It informed us that it has also begun to quantify the different types of external arrangements it has with its stakeholders.

Conclusion

- 22.79 As part of its S&T Strategy, the federal government committed itself to better managing its S&T activities. We looked at whether the government has made progress toward fulfilling its commitments to establish new institutions and mechanisms and to act on new operating principles for S&T, thereby placing the new management system on the solid foundation essential to it.
- 22.80 Although the government has acted on some specific commitments, the establishment of a revised management system has been slow. Much remains to be done to make it work well. Since changes take time, we were looking for signs that results were "just around the corner". We found that S&T issues are getting attention at a higher level. However, we could not conclude clearly whether all the actions taken so far were attributable to a new way of doing business based on new mechanisms or simply to the initial momentum of the Strategy.
- 22.81 Whatever the explanation, the message remains the same: there are still significant challenges ahead because the government has not yet acted fully on its commitments under the Strategy. Two comments are warranted. First, it may be time for the government to clearly set out what remains to be done what is next on the agenda. This would send a strong signal that the Strategy is alive and well and has its second wind.
- 22.82 Second, as we stated in 1994, leadership that transcends departmental mandates is essential to meet these challenges, especially if the progress to date has been due more to the initial momentum than to enduring change. In our opinion, the leadership shown so far in

co-ordinating the S&T policy will not be sufficient in the future to address the remaining challenges. In fact, leadership will be a critical factor in ensuring that the current Strategy does not become simply one more missed opportunity.

- 22.83 In departments we found that although their progress in acting on the Strategy's seven operating principles has varied considerably, even the less advanced have moved in the direction desired by the government. Overall, however, much more remains to be done, especially in reporting on performance.
- 22.84 The extent to which individual departments are improving the management of their science activities becomes less relevant, however, if they are not working together to better manage horizontal issues. Although we observed increased co-operation among departments, our case study on the horizontal issue of climate change science demonstrates that, in this particular case, departments are still carrying out science activities on the basis of their own priorities rather than common goals.
- 22.85 This has started to change, however. As part of the case study, we found that the proposed business plan for science activities under the Climate Change Action Fund appears to address the weaknesses we have identified in the government's current approach to S&T in general. This and other recent initiatives lead us to believe that the experience in this area could lay a new foundation for the management of other horizontal issues.

Joint response of Agriculture and Agri-Food Canada, Environment Canada, Fisheries and Oceans, Industry Canada and Natural Resources Canada: A healthy federal science and technology community is essential to Canada's economic, social and environmental well-being. The Federal Science and Technology (S&T) Strategy, delivered through each department's mandate, is a

Leadership will be a critical factor in ensuring that the current Strategy does not become simply one more missed opportunity.

It may be time for the government to clearly set out what remains to be done — what is next on the agenda.

blueprint for the direction and management of federal science and technology. We were pleased to note the Auditor General's recognition of the fact that the application of the Strategy's operating principles across departments varies according to their mandates. We welcome this follow-up as an indication of the priority that government places on the effectiveness of its S&T resources. While the data presented in the chapter are accurate, this response presents an opportunity to provide a context for the information as well as to highlight areas of continued progress since the audit was completed (note: this response speaks only for the five departments included in this follow-up.)

Departments have been working hard within their respective accountabilities and mandates to implement the Strategy, although the progress has been affected significantly by Program Review. In accomplishing this, and in support of the government's overall policy objectives, we welcome the support of the Minister of Industry in helping to achieve horizontal policy co-ordination on key issues. We feel it is essential to recognize that different parts of the federal S&T effort (e.g. advancing the frontiers of knowledge and mission-driven research) require different planning approaches. While the Strategy recognizes that federal S&T ministers must remain accountable for directing their departments' S&T efforts and resources toward fulfilling their mandates, we agree that some key files (e.g. climate change) do benefit from a horizontal management approach.

Our implementation of the Strategy continues and includes improving management of S&T human resources and building effective partnerships among levels of government and non-government stakeholders. Partnerships and collaborations include the interdepartmental S&T human resource initiative, the Climate Change Action Fund and the MOU on Science for Sustainable Development. The MOU itself has had a major impact in strengthening working relationships and increasing collaboration on key issues, such as climate change science, metals in the environment, nutrients and endocrine modulating substances. The success of the MOU will best be measured in the success of its individual projects, most of which are still in progress. The MOU was renewed in 1998 and was expanded to include Health Canada. The results of such co-operation and collaboration in S&T are becoming more evident as experience with these mechanisms and approaches grows. There are several other areas, such as Northern S&T and toxics substances research, where we are collectively just beginning to apply this experience. We feel that our efforts are having positive impacts and will continue to influence the co-ordination and co-operative management of federal S&T in the future.



About the Follow-up

Objective

Science and Technology for the New Century — A Federal Strategy is a policy statement that provides direction to departments and sets out the elements of a federal governance system for science and technology. Our objective in reviewing the Strategy was to assess the extent of progress made by the government in establishing new institutions and mechanisms for governance, and by departments in applying the operating principles set out in the Strategy.

Scope

We brought forward issues raised in our September 1996 Report Chapter 15 — Federal Science and Technology Activities: Follow-up.

We reviewed the commitments under the Strategy that are aimed at establishing new institutions and mechanisms for governance.

The Strategy outlines a framework of operating principles that provides direction to departments on how to manage their respective science programs. We reviewed the progress of selected departments (Agriculture and Agri-Food Canada, Environment Canada, Fisheries and Oceans and Natural Resources Canada) in applying these principles.

We prepared a case study whose purpose was to review whether the management of climate change science activities in the four selected departments reflects the principal commitments of the Strategy.

Approach

As called for in the Strategy, all major federal departments and agencies engaged in S&T prepared action plans detailing how they would put the Strategy into effect. We reviewed those action plans.

The federal government published a report titled *Minding Our Future*, A Report on Federal Science and Technology — 1997. Each department produced a summary report on its activities under the Strategy as input to Minding Our Future. We reviewed those summary reports.

We held interviews and discussions with officials involved in science and technology and reviewed relevant documentation.

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Report of the Auditor General of Canada to the House of Commons – 1998 Table of Contents

Volume 1 – April 1998

Chapter

	Foreword and Main Points
1	Expenditure and Work Force Reductions in the Public Service
2	Expenditure and Work Force Reductions in Selected Departments
3	National Defence – Equipping and Modernizing the Canadian Forces
4	National Defence - Buying Major Capital Equipment
5	Revenue Canada, Department of Finance and Department of Justice – Interdepartmental Administration of the Income Tax System
6	Population Aging and Information for Parliament: Understanding the Choices
7	Federal Laboratories for Human and Animal Health Building Project
8	Department of Finance – Effectiveness Measurement and Reporting
9	Reporting Government Financial Results: The Importance of Complying with Objective Accounting Standards

Volume 2 – September 1998

Chapter

	Foreword and Main Points
10	Canadian Human Rights Commission Human Rights Tribunal Panel
11	Agriculture and Agri-Food Canada - Cash Advance Program
12	Creation of the Canadian Food Inspection Agency
13	National Energy Board
14	Indian and Northern Affairs Canada - Comprehensive Land Claims
15	Promoting Integrity in Revenue Canada
16	Management of the Social Insurance Number
17	Patented Medicine Prices Review Board
18	The Financial Information Strategy: A Key Ingredient in Getting Government Right

Report of the Auditor General of Canada to the House of Commons – 1998 Table of Contents (cont'd)

Volume 3 – December 1998

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	Matters of Special Importance – 1998 Foreword and Main Points
19	Electronic Commerce: Conducting Government Business via the Internet
20	Preparedness for Year 2000: Government-Wide Mission-Critical Systems
21	Canadian International Development Agency – Geographic Programs
22	The Federal Science and Technology Strategy: A Review of Progress
23	Veterans Affairs Canada – Disability Pensions
24	Revenue Canada – International Tax Directorate: Human Resource Management
25	Transport Canada – Investments in Highways
26	Contracting for Professional Services: Selected Sole-Source Contracts
27	Grants and Contributions: Selected Programs in Industry Canada and Department of Canadian Heritage
28 29	Other Observations and Appendices Follow-up of Recommendations in Previous Reports Other Audit Observations

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> Report of the Auditor General of Canada to the House of Commons

Chapter 23 Veterans Affairs Canada – Disability Pensions

December 1998

Report of the Auditor General of Canada to the House of Commons

Chapter 23
Veterans Affairs Canada – Disability Pensions

This December 1998 Report comprises 11 chapters, including "Matters of Special Importance", as well as a Foreword and the Main Points from the April, September and December 1998 Report chapters. In order to better meet clients' needs, the Report is available in a variety of formats. If you wish to obtain another format or other material, the Table of Contents and the order form are found at the end of this chapter.

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Chapter 23

Veterans Affairs Canada

Disability Pensions

The audit work reported in this chapter was conducted in accordance with the legislative mandate, policies and practices of the Office of the Auditor General. These policies and practices embrace the standards recommended by the Public Sector Accounting and Auditing Board (PSAAB) of the Canadian Institute of Chartered Accountants. The numbered paragraphs in bold face represent recommendations.

Table of Contents

		Page
Main	Points	23–5
Introd	luction	23–7
	Background and purpose of the disability pension program	23–7
	Responsibility for pension decisions	23–7
	The pension recipients	23-7
	Entitlement to disability benefits is determined by nature of service	23-9
	Assessing the extent of disability for pension awards	23-10
	Determining pension amounts	23-10
	Focus of the audit	23–10
Obser	vations and Recommendations	23-11
T	urnaround Times for Processing Pensions	23-11
	Pension reform presented challenges	23-11
	September 1997 turnaround time targets have been exceeded	23-13
	Service standards	23–14
M	aking Pension Decisions	23-15
	Preparing the disability pension application	23-15
	Adjudication of first applications	23-17
	Review and appeal process	23–19
T	he Changing Nature of the Department's Clients	23–22
Ye	ear 2000 Compliance	23-22
	Year 2000 compliance is a departmental priority	23-22
	Work on mission-critical systems is well under way	23-23
	Dependency on non-departmental systems	23–23
Concl	usion	23–24
About	the Audit	23–25
Exhib	its	
23.1	Disability Pension Program Clients	23-8
23.2	Age Distribution of Disability Pensioners, 31 March 1998	23-9
23.3	Comparison of the Insurance and Compensation Principles in the Pension Act	23-10
23.4	Distribution of Disability Pensioners by Percentage of Disability, 31 March 1998	23-11
23.5	Examples of Monthly Disability Pension Rates - Effective 1 January 1998	23-12
23.6	Turnaround Times for Processing Pensions	23-13
23.7	Distribution of Turnaround Times for Favourable First Applications –	
	Pre- vs. Post-Pension Reform	23-14
23.8	Distribution of Turnaround Times for Favourable First Applications – January to June 1998	23 15
23.9	Key Questions in Adjudication of First Applications	23 17
23.10	Decision Outcomes for Pension Application and Appeals Process	23 20





Veterans Affairs Canada

Disability Pensions

Main Points

- 23.1 The disability pension program has annual expenditures of about \$1.1 billion, making it the largest program of Veterans Affairs Canada. Disability pensions are paid to approximately 151,500 recipients 68,000 veterans, 25,500 former or current peacetime members of the Canadian Forces and 58,000 survivors.
- 23.2 In September 1995, pension reform legislation came into effect. The legislation resulted in fundamental changes in responsibilities for the disability pension program. The Department took on new roles in providing assistance and counselling to disability pension applicants and in adjudicating first decisions for pension claims. The Veterans Review and Appeal Board was formed at that time to hear reviews and appeals of decisions.
- 23.3 The main focus of the disability pension program since pension reform has been on reducing the time it takes to make pension decisions. Veterans Affairs Canada and the Veterans Review and Appeal Board have exceeded their targets for reducing turnaround times for disability pension decisions.
- 23.4 The quality and consistency of the services provided in the preparation of first applications could be improved through greater use of standardized guidance materials and training for all those involved in the preparation of first applications. The table of disabilities, which is used in determining the nature and extent of disability for pension purposes, provides limited guidance for assessing the extent of some disabilities. To ensure consistent and high-quality disability pension decisions, the Department needs to improve its guidance materials that facilitate entitlement and assessment adjudications.
- 23.5 Veterans Affairs Canada does not provide reasons for assessment decisions. There is a need for the Department and the Veterans Review and Appeal Board to regularly analyze the reasons for overturned pension decisions.
- 23.6 Veterans Affairs Canada is not fully utilizing the departmental review process. This process was put in place by pension reform legislation and allows certain initial decisions to be reviewed more efficiently and in less time than a formal review request to the Veterans Review and Appeal Board.
- 23.7 Within the next 10 years, the mix of disability pensioners will change considerably, with a significant increase in the number of former or current peacetime members of the Canadian Forces. The Department needs to inform Parliament of the changes in its client base and the strategy for addressing those changes.
- 23.8 Veterans Affairs Canada has assigned a high priority to its Year 2000 projects. It has a plan and schedule that is expected to achieve Year 2000 compliance for its mission-critical systems by the end of 1998. However, the Department is also dependent on other systems for information, and disruption of those systems could affect the delivery of the disability pension program.



Introduction

Background and purpose of the disability pension program

23.9 In 1997–98, Veterans Affairs Canada spent about \$1.9 billion to provide veterans, qualified civilians and their families with the benefits, financial assistance and health care services to which they are entitled. Approximately \$1.1 billion of the total amount was spent on providing disability pensions to war veterans, members and former members of the Canadian Forces and survivors. The objective of the disability pension program is "to compensate veterans and other eligible clients in a timely and equitable manner for death or disabilities related to military service."

23.10 Canada first began paying veterans pensions in 1917. After the Second World War, the veterans charter was established, giving veterans certain rights, privileges and benefits. The primary obligations undertaken by the government were the care and compensation of veterans who returned home wounded and disabled and the re-establishment of returning veterans into civilian life. The provision of disability pensions continues to be the largest single component of these ongoing obligations. In addition, the disability pension program is a gateway that provides eligibility to other programs provided by the Department, particularly health care benefits.

Responsibility for pension decisions

23.11 The Veterans Affairs Portfolio comprises Veterans Affairs Canada and the Veterans Review and Appeal Board.

23.12 The Department is responsible for counselling and assisting pension applicants, making the initial decisions on disability pensions, determining the amount of pension awards and administering the payment of awards. As

well, the Department's Bureau of Pension Advocates provides advocates to represent veterans and other eligible clients appearing before the Veterans Review and Appeal Board.

23.13 The Veterans Review and Appeal Board is an independent body reporting to Parliament through the Minister of Veterans Affairs. Board members are Governor in Council appointees. The Board is responsible for making decisions on reviews and appeals by applicants who are dissatisfied with pension decisions.

23.14 In 1997–98, the cost of delivering disability pension benefits was approximately \$29 million for the Department (including \$5 million for the Bureau of Pension Advocates) and \$8 million for the Veterans Review and Appeal Board.

The pension recipients

23.15 Veterans Affairs Canada administers disability pensions under the Pension Act to veterans of the First and Second World Wars and members of the Canadian Forces who served during peacetime, under the Veterans Benefit Act to veterans of the Korean conflict, and under the Merchant Navy Veteran and Civilian War-related Benefits Act to Merchant Navy veterans and qualified civilians. The Department also administers disability pensions to disabled peacekeepers as designated by the Special Duty Area Pension Order. In addition, it provides adjudication and counselling services, but does not pay pensions, on behalf of the Royal Canadian Mounted Police.

23.16 There are three major groups within the population of disability pensioners. The first group consists of veterans of the First and Second World Wars and the Korean conflict. This group of war service veterans has an average age approaching 78 years.

23.17 The second group of pension recipients consists of those who served in

Approximately \$1.1 billion is spent annually on disability pensions. Forty-nine percent of new clients were members of the Canadian Forces.

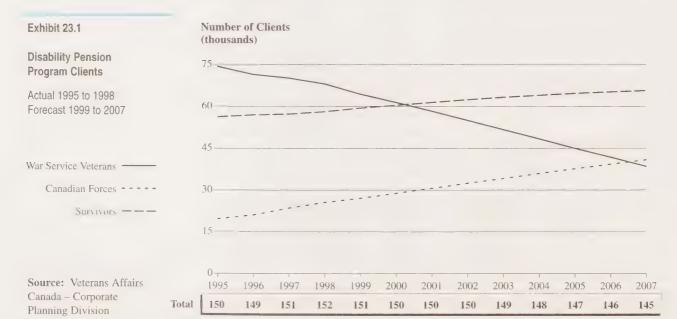
the Canadian Forces during peacetime, including those who served in Special Duty Areas. Special Duty Areas are usually associated with United Nations peacekeeping missions and are listed in Chapter 350 of the Consolidated Regulations of Canada. Peacetime pension recipients are generally younger than war veterans; most are under 65 years old. In conjunction with National Defence, initiatives are currently under way to improve service to these clients through better working arrangements and information exchange between the two departments. These initiatives are discussed further in paragraphs 23.78 and 23.79.

23.18 The third group of pension recipients includes survivors of pensioners. Survivor benefits are based on the pension that had been or would have been awarded to the pensioner prior to death.

23.19 Composition of clientele is changing. The total number of recipients of disability pension benefits has remained relatively constant over the past decade. In 1997–98, the Department provided pension benefits to a total of 151,500 recipients, consisting of 68,000 veterans,

25,500 current or former peacetime members of the Canadian Forces and 58,000 survivors. The composition of the clientele is shifting from war service disability pensioners toward survivors and peacetime disability pensioners. As shown in Exhibit 23.1, the Department estimates that by the year 2007, its disability pension clients will total about 145,000. Although this number is comparable with the current number, the mix of recipients will be significantly different, consisting of about 38,000 veterans, 41,000 former or current members of the Canadian Forces and 66,000 survivors.

23.20 In 1997–98, approximately 49 percent of new disability pension program clients were members or former members of the Canadian Forces who served in peacetime or personnel who served in a Special Duty Area. By the year 2006–07, the Department projects that this figure will rise to 60 percent. The number of applications for disability pension benefits received from this client group is a significant factor in the future of the Department, as the average age of these applicants is under 65 years. Exhibit 23.2 compares the age distribution of war



service veterans and Canadian Forces disability pensioners.

Entitlement to disability benefits is determined by nature of service

- **23.21** The *Pension Act* incorporates two bases of entitlement to disability pension awards the insurance principle and the compensation principle.
- 23.22 The insurance principle applies to clients with wartime service and includes peacekeepers who served in Special Duty Areas such as Haiti, Rwanda or the former Yugoslavia. Entitlement is granted on the basis of whether disability or death is attributable to, aggravated by or incurred during service. The government assumes complete responsibility for death, illness or injury 24 hours a day. Members of the Canadian Forces who qualify under the insurance principle, such as injured peacekeepers, can receive compensation while serving in the Canadian Forces.
- 23.23 For peacetime members of the Canadian Forces, entitlement to disability

pension benefits is compensation for disabilities that are service-related. Currently serving members of the Canadian Forces may submit applications for disability pensions to Veterans Affairs Canada. For those eligible under the compensation principle, benefits commence upon discharge from the Canadian Forces. Benefits commence immediately for members of the Reserve Force who receive a favourable decision under the compensation principle. Exhibit 23.3 provides a summary comparison of the applicability of the insurance and the compensation principles.

23.24 Disability pensions are awarded based on the extent to which a disability is related to service (entitlement) and on the nature and extent of the disability (assessment). Favourable entitlements for pension awards are rendered in fifths. Awards of one-fifth to four-fifths entitlement indicate that the disability is deemed to be partially service-related.

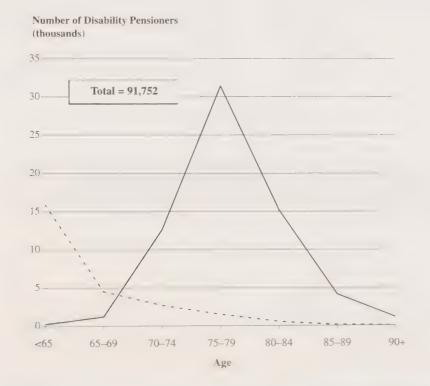


Exhibit 23.2

Age Distribution of Disability Pensioners, 31 March 1998

In 1997–98, 1,767 pension program clients were in receipt of non-disability-based awards such as prisoner-of-war compensation or compassionate awards. These clients are not included in the age distributions.

War Service Veterans

Canadian Forces -----

Source: Veterans Affairs Canada Corporate Planning Division 23.25 The pension legislation includes a long-standing "benefit of the doubt" provision. This provision requires, in making a decision, that every reasonable inference in favour of the applicant be drawn, that any uncontradicted evidence presented by the applicant that is credible in the circumstances be accepted, and that the decision resolve in favour of the applicant any reasonable doubt as to whether the applicant has established a case.

Assessing the extent of disability for pension awards

23.26 The basic concept established by the *Pension Act* in 1919 was that assessment of the disability of a pensioner was to be based on the extent to which the capacity for earning a living in the general labour market had been lessened. Today, under the *Pension Act*, "disability" means the loss or lessening of power to will and to do any normal mental or physical act.

evidence are required to assess the nature and extent of disability for pension purposes. The *Pension Act* establishes the requirement for a table of disabilities to provide guidance to physicians and surgeons in assessing the extent of a disability.

Determining pension amounts

23.28 The determination of entitlement in fifths and the assessment of the extent of disability by percentage are combined to arrive at a disability percentage for the purpose of awarding a pension. Exhibit 23.4 shows the distribution of war service and Canadian Forces disability pensioners by percentage of disability.

Monthly pension rates are based on the extent of disability, marital status and number of eligible dependants. These benefits are not subject to personal income taxes and are not income-dependent. Exhibit 23.5 provides examples of the 1998 monthly disability pension rates. Survivor benefits are paid in proportion to the benefits that were being paid, or that would have been paid, to the disability pensioner at the time of death. One year following the date of death of the pensioner, disability pensions assessed at less than 48 percent are reduced by one half, while those assessed at 48 percent or more are converted to full survivors' pensions, which equates to 75 percent of the basic single pension.

Focus of the audit

23.30 Our audit focussed on the delivery of disability pension benefits by the Veterans Affairs Portfolio.

Exhibit 23.3

Comparison of the Insurance and Compensation Principles in the Pension Act

Pension Act	Insurance Principle Subsection 21(1)	Compensation Principle Subsection 21(2)
Covers those who served in:	Theatre of War World War I World War II	1. Canadian Forces
	2. Theatre of Operations - Korean Conflict	
	3. Special Duty Areas	
Pension entitlement:	Conditions incurred during, aggravated by or attributable to time of service	Conditions that arose out of, were aggravated by or directly connected with military service during peacetime

Source: Pension Act, Part III – Pensions, subsections 21(1) and 21(2)

We examined the adequacy of the management practices followed to ensure that high-quality pension decisions are made on a consistent basis and in a timely manner. We also examined the Department's progress in making its pension and allowance systems Year 2000-compliant. Details on the objectives, scope and criteria of this audit are found at the end of the chapter in the section **About the Audit**.

Observations and Recommendations

Turnaround Times for Processing Pensions

Pension reform presented challenges

23.31 For many years, veterans and veterans' organizations expressed concern and frustration about the disability pension process. The process has been the subject of numerous studies, both inside and outside the Veterans Affairs Portfolio. Prior to September 1995, four separate

Number of Clients

(thousands)

12

entities were involved in the pension process: Veterans Affairs Canada, the Bureau of Pensions Advocates, the Canadian Pension Commission and the Veterans Appeal Board. Each entity was governed by its own legislation and was responsible for performing specific tasks within the process. The system was complex, with many players handling each claim. There were excessively long application-processing times, a large backlog of claims, a high incidence of appeals and a high percentage of decisions being overturned on appeal.

- 23.32 In September 1995, new and amended legislation was adopted to overhaul the application and appeals process for disability pensions. As part of this initiative, the government made a commitment to reduce turnaround times for processing pensions by one half, over a two-year period, without affecting veterans' pension benefits or their right to appeal. The legislative amendments, also referred to as pension reform, resulted in the following changes:
- The authority to make first decisions on claims for disability pension benefits,



50

Percentage of Disability

60

70

80

100

90

Exhibit 23.4

Distribution of Disability Pensioners by Percentage of Disability, 31 March 1998

In 1997–98, 1,767 pension program clients were in receipt of non-disability-based awards such as prisoner-of-war compensation or compassionate awards. These clients are not included in the percentage of disability distributions.

War Service Veterans

Canadian Forces

Source: Veterans Affairs Canada - Corporate Planning Division

Pension reform presented significant challenges.

previously the responsibility of the Canadian Pension Commission, was transferred to the Department.

- Responsibility for preparing first applications, previously a function of the Bureau of Pensions Advocates, was given to departmental officials in district offices.
- The Bureau of Pensions Advocates, previously a separate agency responsible for both the preparation of first applications and advocacy services for appeals, was merged with the Department and retained only the responsibility for providing advocacy services for reviews and appeals.
- The Canadian Pension Commission, which was previously responsible for first decisions and the first level of appeal, and the Veterans Appeal Board, previously responsible for the second level of appeal, were combined into the Veterans Review and Appeal Board to hear first-level and second-level appeals.
- **23.33** As a result of pension reform, the following procedures became the key steps of the pension decision-making process:
- Most applications are submitted through one of forty district offices or service centres across Canada. Assistance and counselling services are provided by

district office or service centre personnel to applicants in preparing a complete disability pension application supported by service records, physician statements and medical evidence.

- Completed applications are submitted to the Department's head office, where adjudicators render entitlement and assessment decisions. Departmental medical advisors are available for consultation on entitlement decisions and, except for hearing loss claims, are consulted for all assessment decisions.
- If applicants are not satisfied with the first decision, they may request a departmental review upon presentation of new evidence or they may request the Veterans Review and Appeal Board to review the decision.
- 23.34 Pension reform resulted in significant challenges for all organizations involved in the pension process. For example, Veterans Affairs Canada faced the challenge of meeting the targeted reduction in turnaround times, while assuming its new role of assisting in the preparation of disability pension applications, making first decisions on disability pension claims and integrating the Bureau of Pension Advocates into the Department. The Veterans Review and Appeal Board was formed to fulfil the review and appeal roles previously

Exhibit 23.5

Examples of Monthly Disability Pension Rates – Effective 1 January 1998

Single Pensioner
Married Pensioner

Pensioner, Spouse and Two Children

Percentage of Disability						
5%	15%	25%	35%	75%	100%	
\$85.81	\$257.43	\$429.05	\$600.67	\$1,287.15	\$1,716.20	
107.26	321.79	536.31	750.84	1,608.94	2,145.25	
126.57	379.71	632.85	885.99	1,898.55	2,531.40	

			Proportion	nate Rates	
	5%	15%	25%	35%	50 - 100%
e	\$53.63	\$160.89	\$268.16	\$375.42	\$1,287.15

Source: Pension Act Surviving Spouse

provided by the Canadian Pension Commission and the Veterans Appeal Board.

September 1997 turnaround time targets have been exceeded

23.35 Turnaround time has been the key performance indicator for measuring the progress of the Veterans Affairs Portfolio in achieving its pension reform commitments. For this purpose, turnaround time is defined as the time from the date an applicant indicates an intention to apply for a pension, or appeal a previous decision, to the date the award is processed for payment. Unfavourable decisions are not included in the turnaround times. In Chapter 12 of our May 1996 Report to Parliament, we reported on our examination of the first application turnaround times reported by the Department prior to pension reform. We also reviewed the turnaround times reported for reviews and appeals.

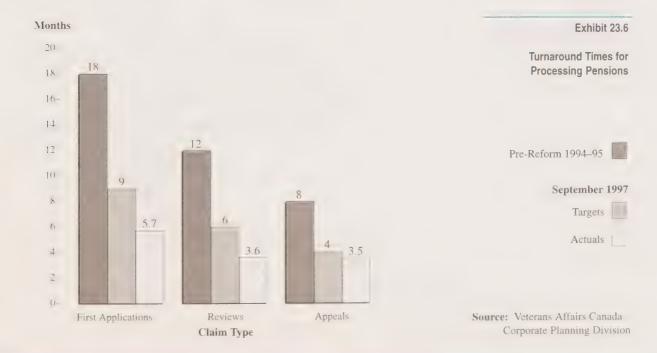
23.36 The Veterans Affairs Portfolio has achieved significant reductions in turnaround times for processing pensions,

and has exceeded its targets for September 1997. The reduction in turnaround times has been achieved through a simplified organizational structure that resulted in fewer steps to reach decisions. The most significant reductions have occurred in the time for preparing first applications and for preparing cases for review and appeal hearings.

23.37 We verified turnaround times reported for September 1997. Our examination was based on a detailed review and compilation of turnaround times for a statistical sample of claims adjudicated during the period July to December 1997. From this examination, we determined that the information contained in the Pension Status and Inquiry System is accurate for the purposes of compiling turnaround time statistics. Exhibit 23.6 shows significant improvements in turnaround times for each type of claim.

23.38 The turnaround times reported by the Department are average turnaround times for each claim type. The distribution of turnaround times for first applications before and after pension reform are

Turnaround time targets have been exceeded.



The Department receives approximately 14,000 applications per year.

compared in Exhibit 23.7. As shown, the average turnaround time has decreased from 18 months to 5.4 months and the variability in turnaround times has decreased significantly. In other words, since pension reform, average turnaround time as a performance indicator has become more reliable because the actual turnaround times are more closely grouped around the average. Pension claims are processed in less time and in a more predictable amount of time. Such information is useful for operational planning, accountability and development of service standards.

Service standards

23.39 In June 1998, the Veterans Affairs Portfolio published a client information brochure entitled *Veterans Affairs - At Your Service*, outlining the quality of service that can be expected by clients. Such commitments to service are important elements of an accountability framework. The Department has established a service standard of 18 weeks

(4.1 months) for reaching a decision once a completed first application has been received.

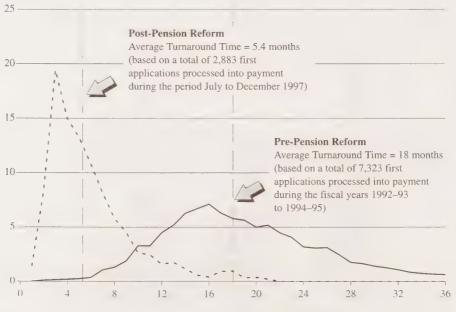
23.40 During 1997–98, the Department received approximately 14,000 first applications for pension benefits. A first application is the first time that an applicant applies to receive a disability pension for a medical condition. It does not include requests to reassess existing pensioned conditions.

23.41 The Department's role in the pension application process includes providing assistance and counselling to applicants in preparing applications, obtaining information in support of the application, requesting and reviewing service records and obtaining current medical information. Exhibit 23.8 shows the distribution of turnaround times for the period January to June 1998. These turnaround times include all activities from the time an application is initiated to the time payment is requested. We noted during our audit that the process for preparing applications represented

Exhibit 23.7

Distribution of Turnaround Times for Favourable First Applications – Pre- vs. Post-Pension Reform

% of Total Favourable First Applications



Source: Pension Status and Inquiry System

Turnaround Time for Favourable First Applications (months)

23-14

approximately one half of the turnaround time. Consequently, given the significant amount of time to prepare an application, and the role played by the Department in this step, we would expect that this part of the process would also be covered by a service standard.

23.42 Veterans Affairs Canada should develop service standards for the Department's role in preparing a first application for disability pension benefits.

Department's response: The Department agrees and therefore included such standards in its 1998 brochure "Veterans Affairs At Your Service" in the sections "Meeting Your Needs" and "Information and Advice". More specifically, in the section on "Disability Pension Application", we also state: "If you contact us about a service-related disability pension, we will help you prepare your application, help you obtain information in support of your application, answer your questions, research your records and assist you to

obtain current medical information." We intend to survey our clients on the quality and effectiveness of these services.

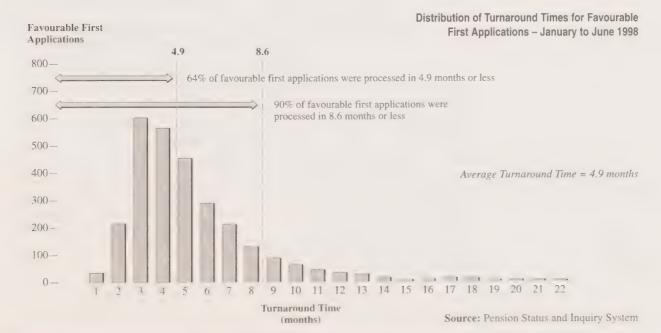
Veterans Affairs Canada chose not to include service standards about the time to carry out these services because most of the activities involved in case preparation lie outside the Department's control, either with outside agencies or clients themselves. The service standard brochure was the subject of consultation with the Department's clients and client groups who agreed that time standards for case preparation were of lesser significance than those we chose to include on decision making and medical exams.

Making Pension Decisions

Preparing the disability pension application

23.43 The role of the pension officers is to provide counselling services to applicants and to assist them in preparing applications for disability pension benefits. The quality and completeness of the application is important in obtaining

Exhibit 23.8



There are opportunities to improve the consistency and quality of services.

the right pension decision the first time. High-quality first applications include complete and accurate information for each medical condition claimed, and are supported by appropriate service documents, medical records and physicians' statements.

- 23.44 The Department has developed a standard set of application forms for disability pension benefits. When completed, the application package should provide details of each medical condition claimed and its claimed relationship to the applicant's service.
- 23.45 We found inconsistencies in the level and nature of the services provided by the Department in counselling applicants. For example, in some offices, we noted that counselling was provided to applicants in identifying service-related disabilities other than those initially put forth by the applicants. In other instances, we found that the focus was limited to the conditions identified by the applicants.
- 23.46 The Department provided national and regional training throughout the pension reform process. However, the Department does not have a formal training policy for the disability pension program and we noted that some pension officers have not yet received formal training.
- 23.47 We also noted that the working tools used to assist in the preparation of first applications, including medical guidance materials and questionnaires, vary from office to office.
- 23.48 We concluded that there are opportunities to improve the consistency and quality of the services provided to applicants in the preparation of disability pension applications. By improving and implementing standardized policies, practices and procedures, the Department can obtain greater assurance that disability pension applications are completely and accurately prepared and include the appropriate supporting evidence.

- 23.49 The number of applications completed by each pension officer varies widely, depending on the nature of the claims. For example, hearing loss claims are more straightforward to process, compared with claims involving complex or multiple conditions, such as orthopedic injuries, which can be very difficult and time-consuming. In addition, the mix of clientele can be quite different from one district to another. For instance, nationally, the Canadian Forces members represented 45 percent of first applications in 1997-98. However, in some district offices, Canadians Forces members accounted for up to 70 percent of first applications. The service documents for Canadian Forces members tend to be quite extensive, requiring more time to review than a typical war service veteran's file. To ensure that the needs of claimants are met in an efficient and timely manner, the Department needs to review its distribution of work related to the preparation of first applications to determine where resources should be allocated.
- 23.50 Veterans Affairs Canada should improve the services provided to applicants in the preparation of disability pension applications by:
- improving standard national guidance materials and manuals;
- ensuring that new pension officers receive appropriate initial training on a timely basis; and
- re-examining workload distribution.

Department's response: The Department is committed to the pursuit of the highest standards of counselling and assistance to applicants in the preparation of disability pension applications and to the provision of timely and effective training to pension officers.

Work is under way to develop both a standardized information and procedures manual for use by field staff and a training module for pension officers to support the first application process.

The Department agrees that workload distribution is an important consideration for effective resource utilization and will continue to actively address this issue. This will be done, in part, through its ongoing Workload Standards project and through medium- and long-term human resource planning based on employee demographic and client forecasts.

Adjudication of first applications

23.51 First decision process.

Adjudicators at Head Office in Charlottetown, who have health sciences or nursing backgrounds, make first decisions on disability pension claims. Departmental medical advisors are

available for consultation on issues relating to entitlement and, except for hearing loss claims, are consulted for all assessment decisions. The first decision process includes a determination of an applicant's entitlement and an assessment of the extent of disability for pension purposes.

23.52 As illustrated in Exhibit 23.9, three key questions are addressed in the first decision process:

- Is there a medical disability?
- Does the disability relate to service?
- What is the extent of the disability?

23.53 As part of the first application, the applicant must specify the medical condition that is the basis for the claim and submit medical evidence to support

Unfavourable Physician's Is there a medical Decision Statement disability? Client Statement, Does the disability Unfavourable No -Service Documents relate to service? Decision and Medical History Table of Disabilities What is the extent and Medical of the disability? To Payment Source: Veterans Affairs Canada - Benefits Division

Exhibit 23.9

Key Questions in Adjudication of First Applications the application. The adjudicator uses this information to determine if there is a medical disability.

23.54 The application must also be supported by service records. The adjudicator uses this information to determine if the disability relates to service. This is the entitlement decision. For certain medical conditions and service-related activities, the Department does have guidance materials to assist adjudicators in making entitlement decisions. General guidelines have been developed to assist in determining entitlement for certain common claims, including hearing loss and orthopedic conditions; however, for most other conditions, the guidance to link medical conditions to service needs to be improved.

23.55 Table of disabilities. The primary decision-making guidance material for assessing the extent of medical disability for pension purposes is the table of disabilities. Other guidance in the form of memoranda and directives has been provided on an ad hoc basis by medical advisors. This material assists in assessing the extent of disability for pension purposes and in performing pension medical examinations. Prior to pension reform, the table of disabilities was the responsibility of the Canadian Pension Commission. Since September 1995, the table has been the Department's responsibility.

23.56 The table of disabilities provides descriptions of various medical conditions and diseases, which are used in determining the percentage of disability for pension purposes. It was designed primarily as an aid to physicians, making it difficult for adjudicators to use in making assessment decisions. For hearing loss claims, the Veterans Affairs Portfolio has developed guidance materials to determine the extent of disability for pension purposes. For other conditions, we found a lack of guidance material to link

the medical condition claimed to the percentage of disability for pension purposes. Therefore, except for hearing loss claims, medical advisors are consulted in the assessment of claims. This practice highlights the need for additional guidance materials to support the table of disabilities. For example, in the case of an osteoarthritis hip condition, the table of disabilities provides only the following limited guidance:

- mild 10–25 percent;
- moderate 25–35 percent; and
- severe 35–50 percent.

23.57 The table could be improved by expanding its scope and providing detailed criteria for assessing the extent of disability. These improvements would ensure greater consistency in making assessment decisions.

23.58 Information on all pension claims is recorded in the Department's Pension Status and Inquiry System. The Department's Pension Disease Classification Manual provides a standard coding structure for coding medical conditions in this system. In Canada, this coding structure is unique to Veterans Affairs Canada.

23.59 Interim assessments. Interim assessment decisions are rendered when, at the time of adjudication, there is sufficient information to establish entitlement to disability pension benefits but there is not sufficient information to assess the level of disability unconditionally. Interim assessments result in applicants receiving a pension award faster.

23.60 In the sample of claims we reviewed, we noted that approximately one third of favourable first applications during the period July to December 1997 were processed into payment using interim assessments. Based on departmental data, we calculated that it took an average of 3.5 months to schedule and complete a final assessment in cases

where an interim assessment had been made.

- 23.61 We noted that the Department does not have a written rationale for the level of assessment determined for individual claims, such as the relevant information that was reviewed, the key factors analyzed or the degree of consideration given the various factors in rendering an assessment decision. Such documentation would facilitate review and would be useful in determining trends in decisions overturned on review and appeal. Decisions rendered by Veterans Affairs Canada are communicated to applicants in decision letters. These letters do not provide any explanation for the assessment of the level of disability.
- 23.62 Veterans Affairs Canada should improve guidance materials to be used in making entitlement decisions and in assessing the extent of disability for pension purposes. The guidance materials should be revised periodically to reflect the trends of disability pension claims.
- 23.63 The Department should document the reasons for assessment decisions and provide these reasons to applicants.

Department's response: The Department agrees. Efforts are under way to address these concerns through improvements to the Department's Table of Disabilities and Medical Guidelines. These improvements should in turn enable the Department to better articulate the reasons for assessment adjudications for the benefit of applicants and pensioners.

Review and appeal process

23.64 The claims adjudication process seeks to provide applicants with every opportunity to establish their claims and to obtain disability pension benefits. The review and appeal process allows each claim several adjudications.

- 23.65 As previously described, the Department's officials make the decision on a first application for disability pension benefits. The results of a first decision are conveyed to applicants in a decision letter. If applicants are not satisfied with this first decision, they may notify the Department that they disagree. The Pension Act provides that the Department may, on its own motion, review a pension decision where it appears there was an error in a finding of fact or law. In addition, upon presentation of new evidence, clients may request a departmental review.
- 23.66 If applicants are not satisfied with the results of the first decision or departmental review, they may request a review by the Veterans Review and Appeal Board. After a review of the facts, the Board may send a case back to the Department, may hold a review hearing or may in certain circumstances refuse to hear the case.
- 23.67 If a review hearing is scheduled, applicants have the right to appear before the Review Panel where they are usually represented by an advocate from the Bureau of Pension Advocates. The advocate represents the applicant throughout the review and appeal process without charge.
- 23.68 If applicants are not satisfied with the decision made by the Review Panel, they may appeal the decision to an Appeal Panel of the Veterans Review and Appeal Board. Only documentary evidence may be submitted at this stage, and it is usually presented to the Appeal Panel by an advocate on behalf of the applicant.
- 23.69 Exhibit 23.10 shows the outcome of a sample of 126 first applications examined during our audit. Fifty-seven applications received favourable rulings at the first decision level, nine received favourable rulings at the Veterans Review and Appeal Board review level and four more received favourable rulings at the Board appeal level. At the first decision

The Department needs to improve guidance material for making entitlement decisions and assessing the extent of disability.

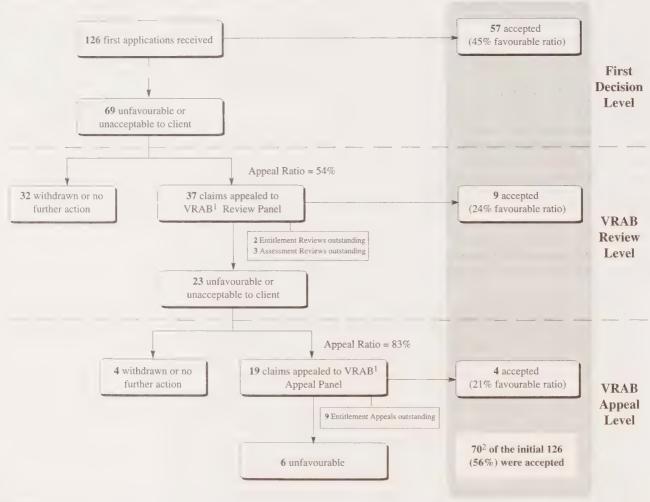
and Board review levels, a favourable ruling is defined as a ruling that is both favourable and acceptable to the applicant.

23.70 In our sample, we found that 54 percent of applicants who were dissatisfied with the rulings at the first level had the decision reviewed by the Board's Review Panel. We also found that

83 percent of unfavourable or unsatisfactory Board Review Panel decisions went to an appeal hearing. As noted in the exhibit, these figures are conservative, as additional favourable decisions may be rendered with the passage of time. There is no time limit within which an applicant must request a review or an appeal of a pension decision.

Exhibit 23.10

Decision Outcomes for Pension Application and Appeals Process



Notes:

- 1 VRAB Veterans Review and Appeal Board
- The 70 claims accepted is a conservative estimate of the eventual outcome because:
 - more requests for reviews or appeals may still be made (see claims under "withdrawn or no further action"); and
 - five review decisions and nine appeal decisions were outstanding at the end of our examination period (14 July 1998).

Source: Office of the Auditor General, sample of 126 pension applications

Of the 37 claims appealed to the Board's Review Panel, 13 claims, or 35 percent, were overturned at the review or appeal levels.

23.71 During our review of Veterans Review and Appeal Board decisions and of analyses performed by the Department, we noted several reasons for decisions being overturned on review or appeal. Examples include the application of the "benefit of the doubt" provision of the Pension Act, the introduction of additional evidence (including oral testimony of the applicant at the review level) and different interpretations of the law, especially in matters of entitlement. In some cases, the reasons given by the Board for overturning departmental decisions were not fully articulated. At the Veterans Affairs Portfolio level, systematic analysis of decisions, based on clearly documented reasons for the decisions, could provide opportunities to improve the pension decision-making process.

23.72 In order to improve the quality and efficiency of decision making, the Veterans Affairs Portfolio should carry out regular analyses of the reasons for decisions that are overturned by the Veterans Review and Appeal Board.

Department's response: The Department is committed to the provision of high-quality, consistent and timely decisions. We have previously conducted analyses of the reasons for decisions of the Veterans Review and Appeal Board. We will continue to do so on a regular basis in the future.

Veterans Review and Appeal Board response: Agree. As has been the case since its creation, the Board continues its commitment to quality and the continuous production of fully articulated decisions. To achieve this goal, the Board will continue to provide intensive training to its members on all aspects of the adjudicative process, including the legislation, medical and legal issues, the

conduct of a hearing and decision writing. Quality assurance is a priority for Board staff and members.

23.73 As described in paragraph 23.65, one of the legislative amendments effected under pension reform was Section 82 of the Pension Act, dealing with departmental review. This review process, which can be used for certain cases such as an error in fact or the presentation of new evidence, is quicker and less costly than the Veterans Review and Appeal Board process. In addition, it does not require the applicant to forfeit any right to review or appeal a decision to the Board. The Department has made a commitment to render a decision on a departmental review within four weeks. The average turnaround time for reviews heard by the Veterans Review and Appeal Board is approximately four months.

23.74 During our examination, we noted that for 3 of the 23 Board reviews and appeals we examined, additional evidence was submitted and formed the basis for overturning the previous decision. In addition, our review of departmental data shows that the average number of departmental reviews per month has fallen from 45 in 1997–98 to 26 for the first five months of 1998–99.

23.75 To improve the efficiency and timeliness of decision making in the disability pension program, Veterans Affairs Canada should examine opportunities to make greater use of the departmental review process.

Department's response: The Department is pursuing various means of improving the efficiency and timeliness of decision making for the disability pension program. It is agreed that in certain circumstances, use of the departmental review process could be exploited further. The Department will undertake to clarify and to communicate appropriate use of this tool.

The departmental review mechanism is not being fully utilized.

The Changing Nature of the Department's Clients

23.76 Most Canadians would be interested to know that Veterans Affairs Canada continues to spend over \$1 billion annually on veterans' disability pensions. While pension expenditures have been relatively stable, the recipients of pensions have changed considerably. Today, the majority of recipients are either former or current peacetime members of the Canadians Forces or survivors (Exhibit 23.1).

23.77 The Department has estimated that within 10 years, war service veterans will form the smallest group of disability pensioners. The largest client group of disability pension recipients will be survivors, followed by former or current peacetime members of the Canadian Forces. As shown in Exhibit 23.2, Canadian Forces disability pension clients are much younger than war service clients. As the pensioner population changes, it is important that the Department consider options for delivering services to clients efficiently and economically.

23.78 Veterans Affairs Canada and National Defence have recognized the increasing prevalence of peacetime members of the Canadian Forces as clients of Veterans Affairs. The departments have been working together to enhance communication, to develop a closer relationship between the two departments and to improve Canadian Forces members' access to Veterans Affairs Canada services and benefits.

23.79 A Veterans Affairs-Canadian
Forces co-ordination team has been
established within Veterans Affairs
Canada. This team was formed to provide
a central co-ordination point in the
Department for all matters concerning
Veterans Affairs Canada and National
Defence, to identify issues of mutual
concern between both departments, to

facilitate action and to monitor progress on improvement initiatives between the two departments. Each department has appointed a liaison officer to be part of an exchange program that will further enhance co-operative working arrangements.

23.80 We reviewed Veterans Affairs Canada's 1998–99 Report on Plans and Priorities, tabled as part of the Estimates. The document makes little mention of the Department's role in relation to the peacetime members of the Canadian Forces or how the Department will change to fulfil this increasingly important role in the future. We expected that Veterans Affairs Canada would use this key accountability document to explain the changing nature of clients and the strategy for adapting to the changes.

23.81 In reporting to Parliament through its Report on Plans and Priorities, Veterans Affairs Canada should explain the role it plays in relation to the peacetime members of the Canadian Forces, the changes expected in its client base and its strategy for adapting to these changes.

Department's response: Veterans Affairs Canada is currently analyzing the medium- to long-term changes of its client base, including Canadian peacetime forces. The 1999–2000 Report on Plans and Priorities will report on the Department's role concerning peacetime forces as well as on an approach to address these changes.

Year 2000 Compliance

Year 2000 compliance is a departmental priority

23.82 The Year 2000 problem stems from the long-established practice of entering, storing, calculating and reporting dates in a six-digit format reflecting year/month/day. This practice began in the 1950s and 1960s to save computer data storage space, which at the time was

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limited and expensive. Many systems today still use six-digit date formats where the year is in a two-digit format. In such systems, the year 1998 is represented as "98" and the year 2000 as "00". However, a two-digit year code of "00" may be interpreted by systems as the year 1900 or a "beginning of time" date, such as the date the system was implemented. Such erroneous interpretations of year 2000 dates can lead to serious problems in systems that use dates for labelling, sorting, updating and other data manipulations involving dates.

23.83 Many of the Department's systems use a six-digit date format. Dates are used extensively for important calculations. For example, the effective date of a disability pension award is used to calculate the payment amount. An incorrect interpretation of a year 2000 effective date could have a serious impact on payment calculations. A failure of any of the Department's mission-critical systems could affect many Canadians since the systems provide a major source of income and access to services and benefits.

In 1996, the Department initiated a Year 2000 project. The Treasury Board Secretariat has identified the Department's health care systems and the pension and allowance systems as government-wide mission-critical systems. The Secretariat is closely monitoring progress toward Year 2000 compliance for all such systems. The Department is also tracking its Financial Management Information System as a mission-critical system because of its importance for administrative and financial control. We reviewed the Department's actions to make the pension and allowance systems Year 2000-compliant.

23.85 One of the departmental business renewal initiatives currently under way is the Benefits Redesign Project. As part of this initiative, a new Client Service Delivery Network system is being

implemented. This system is designed to be Year 2000-compliant. Since the original planned implementation date of 1999 was too late for full resolution of Year 2000-related problems, the project was rescoped and rescheduled to be the primary Year 2000 system. In addition, the Department has adopted a strategy of converting existing systems as a contingency to ensure Year 2000 compliance while implementing the new business renewal systems.

Work on mission-critical systems is well under way

The Department recognizes that 23.86 the Year 2000 deadline cannot be changed and that project slippage could result in systems failure. Detailed progress on all project elements is regularly monitored and compared against the project schedule. As of July 1998, the project schedule and progress to date indicated that the Department's government-wide mission-critical systems would be Year 2000-compliant by December 1998. At the time of our audit, the Year 2000compliant allowance system was operating and the pension system was being user tested.

23.87 Implementation of the Client Service Delivery Network is planned to occur in phases, with the first release planned for December 1998 and the second release planned for March 1999. Through various initiatives, the Department has been able to secure adequate staff resources to carry out projects related to Year 2000 compliance. Project funding has also been secured. Total project costs, estimated as of July 1998, are \$51 million for the Veterans Affairs Portfolio's systems.

Dependency on non-departmental systems

23.88 As is common with other organizations, the proper functioning of the Department's systems requires exchanges of information with several

external systems. These interfaces expose the Department to risks beyond its control because it is dependent on external parties to perform certain tasks to ensure Year 2000 compliance. The Department's risk assessment indicates that it should be able to deliver services to clients even if these interfaces fail. At the end of our field work, testing of all but one of the interfaces had been scheduled. Negotiations were ongoing to ensure Year 2000 compliance of the remaining interface.

23.89 As of July 1998, the Department was beginning an assessment of its facilities and embedded systems to determine the extent to which they may be affected by the Year 2000 problem. Embedded systems consist of hardware and software that form a component of some larger system and are intended to operate without human intervention. These systems and facilities include, among others, telecommunications systems, building maintenance and energy management systems and security systems.

23.90 The assessment was to be completed by the fall of 1998, with the majority of the required remedial expenditures to occur in 1999. The Department is working in conjunction with Public Works and Government Services Canada (PWGSC), Health Canada and other government

departments on the compliance issues related to embedded systems. At the completion of our field work, the Department was surveying regional and district offices in co-ordination with PWGSC to develop an inventory of affected systems.

The Department has developed an appropriate plan and is working toward resolving the Year 2000 problem in its government-wide mission-critical systems. We believe that the Department is appropriately managing the risks of the problem. However, because of embedded systems, facilities and the interaction of departmental systems with other government and non-government systems, it is impossible to give assurance that the Department will not suffer some effects from the Year 2000 problem. The Department is now beginning to address concerns about systems that are not mission-critical but could affect operations.

Conclusion

23.92 The Veterans Affairs Portfolio has been successful in meeting its commitment to significantly reduce turnaround times for processing pensions. It now needs to continue to enhance this process by taking the steps necessary to improve the consistency, efficiency and overall quality of disability pension decisions.



About the Audit

Objective

The objective of our audit was to determine whether the Veterans Affairs Portfolio (Veterans Affairs Canada and the Veterans Review and Appeal Board) is managing the disability pension program in a manner that ensures that high-quality disability pension decisions are made on a consistent basis and in a timely manner.

Scope

Our audit focussed on how the disability pension program is managed to achieve the legislated objectives of providing benefits to veterans and other eligible clients. We also examined the Department's progress in making its pension and allowance systems Year 2000-compliant.

Criteria

We expected that:

- Veterans Affairs Canada would have the means to ensure that high-quality disability pension decisions are made to consistently reflect the requirements and intent of governing legislation;
- the Veterans Affairs Portfolio would collect and report accurate, relevant and reliable information on the length of time taken to reach decisions on disability pensions; and
- the Veterans Affairs Portfolio would have made sufficient progress against its Year 2000 plan to ensure that concerns that could affect the timely processing of pensions have been addressed.

Audit Team

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Report of the Auditor General of Canada to the House of Commons – 1998 Table of Contents

Volume 1 – April 1998

Chapter

	Foreword and Main Points
1	Expenditure and Work Force Reductions in the Public Service
2	Expenditure and Work Force Reductions in Selected Departments
3	National Defence – Equipping and Modernizing the Canadian Forces
4	National Defence - Buying Major Capital Equipment
5	Revenue Canada, Department of Finance and Department of Justice – Interdepartmental Administration of the Income Tax System
6	Population Aging and Information for Parliament: Understanding the Choices
7	Federal Laboratories for Human and Animal Health Building Project
8	Department of Finance – Effectiveness Measurement and Reporting
9	Reporting Government Financial Results: The Importance of Complying with Objective Accounting Standards

Volume 2 – September 1998

Chapter

	Foreword and Main Points
10	Canadian Human Rights Commission Human Rights Tribunal Panel
11	Agriculture and Agri-Food Canada – Cash Advance Program
12	Creation of the Canadian Food Inspection Agency
13	National Energy Board
14	Indian and Northern Affairs Canada – Comprehensive Land Claims
15	Promoting Integrity in Revenue Canada
16	Management of the Social Insurance Number
17	Patented Medicine Prices Review Board
18	The Financial Information Strategy: A Key Ingredient in Getting Government Right

Report of the Auditor General of Canada to the House of Commons – 1998 Table of Contents (cont'd)

Volume 3 – December 1998

Chapter

	Matters of Special Importance – 1998 Foreword and Main Points
19	Electronic Commerce: Conducting Government Business via the Internet
20	Preparedness for Year 2000: Government-Wide Mission-Critical Systems
21	Canadian International Development Agency – Geographic Programs
22	The Federal Science and Technology Strategy: A Review of Progress
23	Veterans Affairs Canada – Disability Pensions
24	Revenue Canada – International Tax Directorate: Human Resource Management
25	Transport Canada – Investments in Highways
26	Contracting for Professional Services: Selected Sole-Source Contracts
27	Grants and Contributions: Selected Programs in Industry Canada and Department of Canadian Heritage
	Other Observations and Appendices
28	Follow-up of Recommendations in Previous Reports
29	Other Audit Observations

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	#	English _	French	
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